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**CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE  
(CSR D): A CASE STUDY OF PAKISTAN**

**BY  
MR WARIS ALI  
M00251642**



**A thesis submitted to the Middlesex University Business School  
In partial fulfilment of the requirements of  
Degree of Doctorate of Philosophy**

**October 2014**

## **Declaration of Originality**

I hereby declare that this project is entirely my own work and that any additional sources of information have been duly cited

Name: Waris Ali

Signed:

Dated:

**Name of Supervisors: Prof. George Frynas, Prof. John Grahl, Prof. Paul Griseri**

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## Abstract

The overall purpose of this research is to understand the quantity (i.e. magnitude and breadth) and quality of Corporate Social Responsibility (CSR hereafter) disclosure and its dimensions: environment, human resource, products and consumer and community involvement; and the factors (both observable and non-observable) which influence CSR disclosure and its dimensions in the annual reports by corporations listed at Karachi Stock Exchange (KSE hereafter) of Pakistan. This research uses three widely used theories: legitimacy, stakeholder, and institutional theory to explain the disclosure results. This study used content analysis and survey (questionnaire) methods to collect the required data. In examining the quantity of CSR disclosure, the results revealed that the sampled companies paid more attention to human resource and community involvement related practices (see Chapter 6). Further, the results revealed a significant increase in the quantity of CSR disclosure and its dimensions in 2011. In investigating the quality of CSR disclosure, the majority of the sampled companies made declarative types of disclosure (i.e. aims and actions indicators) and mainly focused on good news (e.g. donations to schools, establishment of hospitals, and sponsorship for environmental awareness programmes etc.). Overall the quality of CSR disclosure was found to be very poor. However the quality of CSR disclosure and its dimensions has improved with the passage of time (2008-2011) (see Chapter 6). Further the results revealed that company's social visibility (proxied by company size, profitability, environmental sensitivity, and multinational subsidiary) and CSR promoting institutions (i.e. CSR Pakistan, CSRCP, WWF, UNGC, CSR standard setting institutions) are major

determinants of CSR disclosure, while corporate governance and financial stakeholders are weak determinants of CSR disclosure and its dimensions (see Chapter 7). In exploring the non-observable factors influencing the CSR disclosure, the results showed that 'to build company image', the chairman's, regulatory institutions', shareholders', and non-executive directors' concerns are the most important factors considered in the decision to disclose CSR information in the annual reports. In investigating the factors considered to be important influences on the magnitude, breadth, and quality of CSR disclosure, the researcher developed three regression models (CSR disclosure extent, CSR disclosure level, and CSR disclosure quality). The results revealed that companies which are operating in an environmentally sensitive sector or want to build company image place substantial importance on CSR issues, cover a range of CSR issues, and provide a relatively rich quality disclosure. In addition to this, the researcher found that a lack of CSR education and CSR reporting support, insufficiency of shareholders demand for CSR information, inadequacy of customers' interest in CSR information, meagreness of regulatory requirements, and fear of public reaction to sensitive information were perceived to be the major reasons for non-disclosure of CSR information in Pakistan (see Chapter 8). The results revealed that the joint consideration of legitimacy, stakeholder, and institutional theory provides the rich insights and better explains the results than the consideration of a single theory (see Chapter 9).

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## Acronyms

BGMEA	Bangladesh Garment Manufacturers and Exporters Association
C	Creditors
CID	Community Involvement Disclosure
CIDL	Community Involvement Disclosure (level)
CIDQI	Community Involvement Disclosure (quality)
CIDQn	Community Involvement Disclosure (extent)
CMD	Multiple directorships of a chairman
Cpr	Consumer proximity
CRCP	Consumer Rights Commission of Pakistan
CS	Company Size
CSR	Corporate Social Responsibility
CSRCP	Corporate Social Responsibility Centre of Pakistan
CSR D	Corporate Social Responsibility Disclosure
CSRF&N	CSR forums and networks
ED	Environment Disclosure
EDL	Environment Disclosure (level)
EDQI	Environment Disclosure (quality)
EDQn	Environment Disclosure (extent)
ES	Environmental sensitivity
FATA	Federally Administered Tribal Areas
FBS	Federal Bureau of Statistics
FS	Foreign Shareholders
GCPLN	Global Compact Pakistan Local Network
GS	Government Shareholders
HRD	Human Resource Disclosure
HRDL	Human Resource Disclosure (level)
HRDQI	Human Resource Disclosure (quality)
HRDQn	Human Resource Disclosure (extent)
ICAP	Institute of Chartered Accountants of Pakistan
ICMAP	Institute of Cost and Management Accountants of Pakistan
ILO	International Labour Organization
IS	Institutional shareholders
ISE	Islamabad Stock Exchange

ISO	International Organization for Standardization
JI	Jamaat-e-Islami
JUI-F	The Jamiat Ulema-e-Islam Fuzal-ur-Rehman
KSE	Karachi Stock Exchange
KSE	Karachi Stock Exchange
LSE	Lahore Stock Exchange
MCA	Monopoly Control Authority
MLM	Ministry of Labour and Manpower of Pakistan
MNS	Multinational subsidiary
MQM	Muttahida Quami Movement
MWP	Ministry of Water and Power of Pakistan
NAB	National Accountability Bureau
NED	Non-executive directors on board
NEPRA	National Electric Power Regulatory Authority
NIH	National Institute of Health
OGRA	Oil and Gas Regulatory Authority
PCD	Product and Consumer Disclosure
PCDL	Product and Consumer Disclosure (level)
PCDQI	Product and Consumer Disclosure (quality)
PCDQn	Product and Consumer Disclosure (extent)
PCP	Pakistan Centre of Philanthropy
PEMRA	Pakistan Electronic Media Regulatory Authority
PEPA	Pakistan Environmental Protection Agency
PML-Q	Pakistan Muslim League – Quid-e-Azam
PNL-N	Pakistan Muslim League-Nawaz
PPP	Pakistan People’s Party
PTA	Pakistan Telecommunication Authority
PTI	Pakistan Tehreek-e-Insaf
ROA	Return on Assets
SECP	Securities and Exchange Commission of Pakistan
SIC	Standard Industrial Classification
TCSRDL	Total CSR disclosure (level)
TCSRQI	Total CSR disclosure (quality)
TCSRQn	Total CSR disclosure (extent)
UNGC	United Nations Global Compact
WHO	World Health Organization



# **1. CHAPTER: INTRODUCTION**

## **1.0 Introduction**

This chapter provides an overview of this thesis and is organized as follows: The next section discusses the background of this research. The second section discusses the researcher's motivation to undertake this research. The third section highlights the aims and questions of this research. The fourth section describes the scope and methodology of this research. The last section describes the organization of this thesis.

## **1.1 Background of the Research**

The overall purpose of this research is to understand the quantity and quality of CSR disclosure and its dimensions: environment, human resource, products and consumer and community involvement; and the factors (both observable and non-observable) influencing CSR disclosure in the annual reports by corporations listed at the Karachi Stock Exchange of Pakistan (KSE hereafter). CSR disclosure is similar to corporate social reporting (Gray et al., 1996) or social and environmental disclosure (Hackston & Milne, 1996; Gray et al., 1996) and is defined as the voluntary provision of information on corporations' interaction with their natural and social environment (Gray et al., 1996; Guthrie & Parker, 1989; Deegan & Gordon, 1996; Hackston & Milne, 1996; O'Dwyer, 2002). The information about a corporation's interaction with its social and natural environment can be both financial and non-financial in nature. CSR disclosure has four main dimensions: environment, human resource, products and consumer, and community involvement (see Branco

& Rodrigues, 2008; Hackston & Milne, 1996). This may show how the corporation has interacted with the employees, the customers, the environment, and the local community. The interested parties (e.g. investors, the government, NGOs, and customers etc.) may assess the actual social and environmental performance of the company based on its disclosed CSR information because, according to Blowfield & Murray (2011), CSR disclosure is considered as a proxy of a corporation's actual social and environmental performance.

A question regarding the need for CSR disclosure may arise here. To address this question, there is a need to look into the history of corporations. In the past, corporations have contributed to economic and technological progress in the world and have also been criticised for creating various social (e.g. child labour, discrimination at workplace, violation of workers' rights, poor working conditions, poor quality and safety of products and services) and environmental problems e.g. environmental pollutions, mishandling of waste, depletion of resources, and impurity of water resource (see Gray, Owen, & Maunders, 1987; Hussain-Khaliq, 2004; Islam & Deegan, 2008; Reverte, 2009). These issues have resulted in increased public awareness and concerns about corporations' behaviour that may have forced corporations to consider social and environmental issues in their operations and their disclosure. In fact, companies around the world are increasingly reporting their social and environmental performance. Evidence of this can be seen from the ACCA (2004) report which shows that less than 100 non-financial reports were published in 1993 around the world, but by the end of 2003 more than 1500 non-financial reports were published. In 2010, similar results were showed by a GRI (2010) report showing a 22% increase in sustainability reports around the world in 2010 as compared to the previous year. This increase in the number of companies' social and environmental

reports can be attributed to different motives including a desire to enhance their reputation (Adams 2002; Belal & Owen 2007; O'Donovan 2002), to enhance public relations (O'Donovan 2002), to respond to powerful stakeholders' demands (Islam & Deegan 2008; Belal & Owen 2007), to comply with regulatory institutions' requirements (Rahaman et al. 2004), to comply with normative institutions' concerns (Sobhani et al. 2011), and to legitimise corporate activities to ensure corporate existence (Deegan et al., 2002; O'Donovan, 2002).

This substantial increase in the reporting of social and environmental aspects of company performance also attracted the attention of the research community. The evidence of CSR disclosure research can be found in the early 1980s (see Wiseman, 1982). However, CSR disclosure research caught the attention of the research community during the 1990s (see Adams, Hill, & Roberts, 1998; Cormier & Magnan, 1999; Deegan & Gordon, 1996; Gray, Kouhy, & Lavers, 1995a; Hackston & Milne, 1996; Neu, Warsame, & Pedwell, 1998; Patten, 1991; Roberts, 1992). The majority of CSR disclosure studies were conducted in developed countries as opposed to developing countries (see Fifka, 2013 – Meta analysis). These studies can be divided into three categories: 1) studies examining the quantity and quality of CSR disclosure, 2) studies establishing determinants of CSR disclosure, 3) and studies checking influence of CSR disclosure on, for example, the investors' responses or the company's reputation or the company's financial performance (see Reverte, 2009). The research presented in this thesis falls under the first two categories of CSR disclosure research as this is aimed to understand the quantity and quality of CSR disclosure and its dimensions, and the factors (both observable and non-observable) which influence the quantity and quality of CSR disclosure by listed companies of Pakistan. However, this research primarily falls under the

second category of CSR disclosure research i.e. studies examining the determinants of CSR disclosure. Therefore the researcher paid more attention to studies or articles examined determinants/motivations of CSR disclosure and categorised them, for better understanding, into developed and developing countries' context (for detail see Section 3.2 & 3.3).

In developed countries, CSR disclosure studies were predominantly focused on North America (Canada, US), Australia and North-Western Europe (The United Kingdom, Denmark, Finland, France, Germany, Ireland, The Netherlands, Norway, Sweden, and Switzerland) and paid a little attention to other regions i.e. Southern Europe (Italy, Spain) and Eastern Europe (Czech Republic, Hungary, Poland, Slovakia, Slovenia) (see Fifka, 2013). These studies largely used content analysis research method, as compared to alternative methods e.g. interviews and questionnaires, in determining the factors influencing CSR disclosure (see Table 3.1; Meta-analysis by Fifka, 2013). These studies examined factors influencing environmental or overall CSR disclosure (see Table 3.1) and paid less attention to other dimensions of CSR disclosure i.e. human resource, products and consumers, and community involvement. Previous authors have pointed to the need to pay attention to other CSR related issues in CSR disclosure research (see Mathew et al., 1997; Parker, 2005; Parker, 2011; Parker, 2014).

The factors examined by the studies conducted in developed countries mainly fall within company characteristics and general contextual factors categories (see Section 3.2). In the company characteristics category, the most frequently examined determinants are corporate size, corporate industry and corporate financial performance, and were found to be related with CSR disclosure (see Patten, 1991;

Hackston & Milne, 1996; Cormier & Magnan, 2003; Reverte, 2009; Bouten et al., 2011). In the general contextual factors category, the studies have shown that national contextual factors (e.g. ownership structures, governance systems, political and cultural systems etc.) resulted in variation in CSR disclosure among the countries (see Laan-Smith et al., 2005; Adams et al., 1998). In addition to the national contextual factors, the concerns of different stakeholders e.g. regulators, shareholders, creditors, investors, environmentalists and media, within a country, were also found to be influencing CSR disclosures (see Section 3.2.1). In addition to this, corporate executives in the developed countries also pay attentions to the concerns of local community, suppliers and customers in their decisions to disclose CSR information (see Wilmsurst & Frost, 2000). In the internal contextual factor category, some studies have shown that companies have disclosed information to gain competitive advantage or to enhance their corporate reputation (see Adams, 2002; Chih et al., 2010). After considering the studies determining factors influencing CSR disclosure in developed countries, it has been found that a little attention has been paid to establishing normative institutions' (e.g. NGOs, CSR standard setting institutions, CSR forums and networks) empirical relationship with CSR disclosure. However there are a few studies which show an association between environmental lobby groups' concerns for the environment and companies' environmental performance and between membership of national programmes (i.e. clean industry) and sustainability reporting (see Deegan & Cordon, 1996; Perez-Baterez et al., 2012). In short, there is a dearth of research establishing empirical relationships between normative institutions (e.g. NGOs, CSR promoting institutions, and CSR standard institutions) and CSR disclosure in developed countries.

Compared with the developed countries less CSR disclosure studies were conducted in developing countries and mainly focused on China, Hong Kong, Singapore, Malaysia, South Africa, Chile, Mexico, Thailand, Taiwan, Indonesia, India, and Bangladesh (see Wanderley et al., 2008; Amran & Devi, 2008; Haniffa & Cooke, 2005; Huang & Kuang, 2010; Islam & Deegan, 2008; Singh & Ahuja, 1883; Section 3.3). Despite the existence of CSR disclosure literature on some of the developing countries (see Section 3.3), there is scant CSR disclosure literature about Pakistan, a developing country. Very few CSR disclosures studies, mainly descriptive in nature and focused on very few companies, were conducted in Pakistan (see Section 3.4). Further, academic research has identified the need for more studies in the field of CSR disclosure in the context of other developing countries (see Ghazali, 2007; Belal & Momin, 2009; Haji, 2013; Kansal et al., 2014). It has already been argued in the extant literature that different societies define the role of business in society differently and that differences result in variation in the quantity and quality of CSR disclosure (see Williams, 1999; Laan-Smith et al., 2005; Kamla, 2007; Matten & Moon, 2008; Wanderley et al., 2008; Chih et al., 2010). Therefore, this study focuses on CSR disclosure by companies listed at KSE Pakistan and contributes to the CSR disclosure literature about another developing country.

Consistent with the developed countries, the studies establishing determinants of CSR disclosure in developing countries mainly focused on environmental disclosure and overall CSR disclosure, predominantly measured in the quantitative way, and paid scant attention to establishing determinants of other dimensions of CSR disclosure such as human resources, products and consumer, and community

involvement (see Section 3.3). The predominance of environment related research may risk the neglect of other CSR or accountability related issues e.g. community relations, corporate health and safety, product quality and safety, and consumer relations (see Mathew et al., 1997; Parker, 2005; Parker, 2011; Parker, 2014). However, there are a few studies which examined determinants of CSR disclosure and its dimensions in developing countries (see Branco & Rodrigues, 2008; Mahadeo et al., 2011). This reveals the need to undertake research examining determinants of CSR disclosure and its dimensions in the developing countries (see Section 3.3). Further, previous authors have suggested focusing on other dimensions of corporate social responsibility in CSR reporting research (see Mathew et al., 1997; Parker, 2005; Parker, 2011). Therefore, this research focuses on determining the factors influencing both the CSR disclosure and its dimensions and contributes to the literature on determinants of CSR disclosure in general and its dimensions in particular.

The factors examined by the studies in developing countries fall within the categories of company characteristics, general contextual factors and internal contextual factors (see Section 3.3). In the company characteristics category, consistent with the developed countries, the most commonly examined determinants are corporate size, corporate industry, and corporate financial performance and found them to be influencing CSR disclosure (see Singh & Ahuja, 1983; Haniffa & Cooke, 2005; Tagesson et al., 2009). In the general contextual category, consistent with the developed countries, national contextual factors resulted in variation in CSR disclosure among the developing countries (see Williams, 1999; Kamla, 2007; Wanderley et al., 2008). Further, CSR reporting agenda in developing countries is derived by external forces/powerful stakeholders e.g. international buyers, foreign

investors, international media, international regulatory bodies i.e. World Bank, and government regulations (see Section 3.3.2). Furthermore, in contrast to developed countries, corporations in developing countries perceive a little pressure from the local public for CSR disclosure (see Belal & Owen, 2007; Belal & Cooper, 2011; Momin & Parker, 2013). In the internal contextual factors category intention to build company image, cost of reporting CSR information, non-availability of CSR data and a lack of motivation do influence CSR disclosure in developing countries (see Section 3.3.3). In examining the determinants of CSR disclosure, the majority of the disclosure studies in developing countries established apparent relationships of observable factors (e.g. company characteristics, ownership structures and governance elements etc.) with CSR disclosure and, consistent with the studies in developed countries, paid a little attention to establishing normative institutions' (e.g. NGOs, CSR standard setting institutions, CSR forums and networks) empirical relationship with CSR disclosure. It has been argued in the existing literature that normative institutions particularly NGOs (Islam & Deegan, 2008), accounting professions (Blowfield & Murray, 2011), and academic institutions (Campbell, 2007) may influence companies socially responsible behaviour, and which may result in the disclosure of CSR information. In short, there is dearth of research establishing empirical relationship between normative institutions (e.g. NGOs, CSR promoting institutions, and CSR standard institutions) and CSR disclosure in general and with CSR disclosure dimensions in particular in both the developed and the developing countries. Therefore, this research establishes the relationship between CSR promoting institutions, along with other widely examined determinants, and CSR disclosure, and will contribute to the literature on determinants of CSR disclosure about developing countries.



In proving a relationship between various determinants and CSR disclosure, most of the disclosure studies measured CSR disclosure in the quantitative way and studies which measured the disclosure in the qualitative way focused on environmental dimension of CSR (see Table 3.1 & 3.2). However, there are very few studies in developing countries (see Saleh et al., 2010; Haji, 2013; Chiu & Wang, 2014) who measured CSR disclosure in the qualitative way. This reveals the need to undertake CSR disclosure studies, which go beyond a purely quantitative approach and investigate the quality of CSR disclosure, which may reflect the level of transparency in CSR reporting. Furthermore academic researchers have argued that there is a need to examine the quality of CSR disclosure in developing countries in order to expose the lack of transparency of CSR reporting there (see Belal et al., 2013). Hence, this research focuses on determining the factors influencing CSR disclosure measured in both the quantitative and qualitative way and contributes to the literature on determinants of CSR disclosure (quantity) in general and CSR disclosure (quality) in particular.

As mentioned earlier, a majority of the disclosure studies established an apparent relationship between observable factors and CSR disclosure, mostly measured in quantitative way using content analysis of secondary sources (e.g. annual reports and/or websites), rather than collecting primary data (e.g. survey and interviews) by directly seeking managers' views/perceptions of pressures (e.g. non-observable factors) which forced companies to undertake CSR disclosure. However there are handful of studies in the developing countries (Bangladesh: Belal & Owen, 2007; Islam & Deegan, 2008; Ghana: Rahaman et al. 2004; Thailand: Kuasirikun 2005) directly seeking managers' views about the perceived external (or internal) pressures

and how these pressures influence CSR disclosure behaviour (see Table 3.2 & 3.3). Moreover, the previous researchers (e.g. O'Donovan, 2002; Islam & Deegan, 2008) also suggest using multiple methods to establish reasons for CSR disclosure. This research uses a primary data collection method i.e. survey along with the secondary data collection method (i.e. content analysis) to determine factors influencing CSR disclosure in Pakistan.

Considering the research gaps in the field of CSR disclosure about the developed countries in general and developing countries (including Pakistan) in particular, this research focuses on examining the quantity and quality of CSR disclosure and its dimensions, and the factors (both observable and non-observable) influencing the quantity and quality of CSR disclosure and its dimensions by listed companies of Pakistan. Furthermore, it explains the results with the help of three theories: legitimacy, stakeholder, and institutional theory. However, the research aims and questions better depict the purpose and focus of this research. Before knowing the research aims and questions, the reader should understand the researcher's motivation to undertake this research in Pakistan.

## **1.2 Motivations Underlying this Research**

There are a number of reasons why the researcher has undertaken this research project in Pakistan. Firstly, there is a dearth of research examining the quantity and quality of CSR disclosure and its dimensions in general and examining their determinants in particular and explaining the results with the help of a particular theory in Pakistani context (see Section 3.4). Currently disclosure studies in Pakistan are mainly descriptive in nature and examine only the quantity of CSR disclosure of

a few companies (see Section 3.4). Therefore the paucity of this type of research in Pakistani context is the primary reason for undertaking this research.

Secondly, there are a significant number of large companies (648) operating in Pakistan which are listed at three stock exchanges of Pakistan: Karachi Stock Exchange, Islamabad Stock Exchange, and Lahore Stock Exchange (see SECP, 2011). The large listed companies have performed very well in the last five year (2008-2013) as the stock market (KSE 100 Index) has observed average yearly stock index growth of 50% in the last five years (Bloomberg, 2013). Due to its growth, the Pakistani market is considered among the top performing markets in the Asian region (see KSE 2011, 2012, 2013) and 55% of the companies listed at KSE have made profits in 2011 (KSE 2013). Along with the market performance, the companies were found to be involved in many social and environmental problems e.g. industrial accidents, unpaid work, water pollution, and the provision of substandard products (see Chapter 2). Despite these social and environmental problems, companies were found to be engaged in community development activities (see Ahmad, 2006; PCP, 2011) and in their respective disclosure (see Maali et al., 2006; Nazir et al., 2010; Farooq & Lanis, 2007). Pakistan is a country where law enforcement is relatively weak (see Ashraf & Ghani 2005; HRCP 2011), as is the case in other developing countries such as Bangladesh (see Belal & Owen, 2007) and India (see Kansal et al., 2014). In the absence of effective state mechanism to ensure compliance with the state laws (e.g. CSR Order 2009), the disclosure of CSR information is less likely to happen in Pakistan. This inspires research into question of what motivates disclosure of CSR information, given the presence of weak law enforcement, in Pakistan. This research tries to understand

non-observable factors perceived important for the disclosure and non-disclosure of CSR information in Pakistan that may help us in answering the question.

Finally, the government of Pakistan is sponsoring the researcher's PhD study. Being a citizen of Pakistan, it is one's ethical responsibility to conduct a research which could be fruitful to the country. The Securities and Exchange Commission of Pakistan (SECP), a regulatory institution, is committed to improving the quality of social disclosure in Pakistan as it has introduced a law (CSR order 2009), which requires the listed companies in Pakistan to disclose their CSR information in their annual reports. As, according to Adams et al. (1998), studies examining the quantity and quality of CSR disclosure and its determinants are considered necessary to improve the quantity and quality of disclosure in a country. This research may bring some policy implications and this has been a strong motivation for the researcher to conduct the study in Pakistan.

### **1.3 Research Aims and Research Questions**

**The main aim of this research is to explore the quantity and quality of CSR disclosure by listed companies of Pakistan and to determine the factors influencing CSR Disclosure (measured in quantitative and qualitative way).**

In line with the above research aim this research has the following research questions.

- 1. What is the quantity and quality of CSR disclosure by Pakistani listed companies?**

- 2. What are the determinants (observable) of CSR disclosure and its dimensions (measured in quantitative and qualitative ways) by Pakistani listed companies?**
- 3. What are the non-observable factors perceived to be influencing CSR disclosure by Pakistani listed companies?**

These research questions are the broad topics that are searched in this research project. However, justification for each of the research questions and what is included under each research question has been discussed in the development of research questions section in Chapter 3.

## **1.4 Scope and Methodology of the Research**

This study uses nomothetic (quantitative) methodology to answer the research questions. In line with the methodology, the researcher employed the two research methods: content analysis and survey (questionnaire). To conduct the content analysis, the researcher included all the companies listed at the largest stock exchange of Pakistan (i.e. KSE) whose annual reports were available for both the years 2008 and 2011 into the sample and collected their annual reports. The content analysis is used to classify the reported CSR information, in the annual reports published in the year 2008 and 2011, into CSR themes and dimensions. By using descriptive statistics and inferential statistics (i.e. Z-test and T-test) on the data derived through content analysis helped the researcher in answering the first research question ('what is the quantity and quality of CSR disclosure by Pakistani listed companies?' For details see Chapter 6). At a later stage the data derived through content analysis was used in various pooled regression models to answer

the second research question ('what are the determinants (observable) of CSR disclosure (measured in quantitative and qualitative way) by Pakistani listed companies?' For details see Chapter 7). The questionnaire was used to illicit the views of top executives of the companies whose annual reports were analysed through content analysis, to explore factors (non-observable) underlying CSR disclosure. Using descriptive, inferential and multiple regression models on the data obtained through questionnaire helped the researcher in answering the third research question ('what are the non-observable factors perceived to be influencing CSR disclosure by Pakistani listed companies?' For details see Chapter 8).

As far as the scope of this research is concerned, some findings- particularly determinants of CSR disclosure - can be generalized to all the listed companies of Pakistan. The reason behind this generalization is that the researcher selected the 120 companies listed at KSE whose annual reports were available for two years 2008 and 2011 of study. However, it is acknowledged that the findings related to non-observable factors influencing CSR disclosure will be limited to the sampled companies due to the small number of respondents included in the sample.

## **1.5 Research Contribution**

After addressing the above research questions, this research contributes to the literature in the following six ways. Firstly, this study contributes to the CSR disclosure literature about developing countries in general and about Pakistan in particular. Secondly, the research contributes to CSR disclosure literature by examining determinants of CSR disclosure and its dimensions: environment, human resource, products and consumers, and community involvement because there is a

scarcity of disclosure literature examining determinants of CSR disclosure dimensions; particularly human resources, products and consumers, and community involvement. Thirdly, this research contributes to the literature on determinants of CSR disclosure by checking empirical relationship of various normative institutions (i.e. CSR networks, CSR standard setting institutions, and other NGOs) with CSR disclosure along with other determinants discussed in the disclosure literature. Fourthly, this research examines both the quantity and quality of CSR disclosure and adds to the CSR disclosure quality literature about the developing countries in general and Pakistan in particular. Fifthly, this research makes a methodological contribution by measuring CSR disclosure quality scores by using three types of information: aims/intentions, actions, and performance, considered quality attributes by previous authors: Brammer and Pavelin (2008) and Hammond and Mile (2004), disclosed about a CSR theme. Finally, this research has some policy implications for the policy makers regarding CSR disclosure in Pakistan (for details see Section 9.4).

## **1.6 Organization of the Thesis**

This section describes the structure of this thesis and the content discussed under each chapter of the thesis. This thesis has been organized into eight chapters.

Chapter 1 is an introductory chapter. This chapter first discusses the background of the research followed by the status of CSR disclosure studies in the context of the study and the researcher's motivation to undertake this research. It also highlights the main research aims and questions. Further, it discusses the scope and methodology of this research and its contribution.

Chapter 2 is focused on understanding Pakistan's context and the implications of this for corporate social and environmental disclosure. This chapter first discusses the socio-economic context of Pakistan followed by the legal framework of Pakistan governing corporate social and environmental performance. It also discusses the role of non-governmental CSR promoting organizations in the country.

Chapter 3 reviews CSR disclosure literature about developed and developing countries and then based on the literature reviewed it formulates aims and objectives of this research.

Chapter 4 discusses the theoretical framework for this research. It also formulates hypotheses on the determinants of CSR disclosures. This chapter first discusses legitimacy theory, stakeholder's theory, and institutional theory followed by the selection of a theory or theories for this research. At the end, the hypotheses on the determinants of CSR disclosure are formulated.

Chapter 5 discusses the methodology to be followed to address the research questions and also discusses the pilot study results. This chapter first discusses the methodology (including research methods) of this research followed by multiple linear pooled regression models and measurement of regression model variables. Finally, this chapter discusses the pilot study results.

Chapter 6 discusses the results relating to the quantity and quality of CSR disclosure that help the researcher in answering the first research question. Moreover, it partially addresses the second research question by providing evidence in support of hypothesis 6 (there is a significant increase in CSR disclosure and its dimensions in 2011). This chapter first discusses the sample design followed by a discussion of the quantity (i.e. extent and level) and quality of CSR disclosure. Finally, it covers



discussion on the data analysis results in the light of widely used disclosure theories: legitimacy, stakeholder, and institutional theory.

Chapter 7 discusses the results of multivariate pooled regression models on the quantity and quality of CSR disclosure and its dimensions. This chapter first discusses overall reliability and validity of the research instrument. Later it evaluates regression analysis assumptions and multivariate pooled regression results. It then discusses results in the light of three theories: legitimacy, stakeholder and institutional theory.

Chapter 8 discusses the survey results. This chapter first discusses top executives' perceptions about corporate social responsibility and their attitude towards CSR disclosure. Later on it discusses the factors considered important by the management in their CSR disclosure decisions and their influence on actual CSR disclosure in the annual reports. Furthermore, it discusses the reasons for non-disclosure of CSR information in the annual reports. At the end, it discusses the results in the light of three theories: legitimacy, stakeholder and institutional theory.

Chapter 9 first summarises the empirical findings of chapter 6, 7, and 8; and discusses the research results' implications. Finally, it highlights the research's limitations and avenues for future research.

## **2. CHAPTER: BACKGROUND OF COUNTRY OF CASE STUDY: PAKISTAN**

### **2.0 Introduction**

This chapter is focused on understanding Pakistan's context and the implications of this for corporate social and environmental disclosure. This chapter is organized as follows: the first section discusses the socio-economic context of Pakistan. The second section discusses the legal framework of Pakistan as it governs corporate social and environmental performance. The penultimate section discusses the role of non-governmental CSR-promoting organizations in the country. The last section summarizes this chapter.

### **2.1 Socio-Economic Context of Pakistan**

Pakistan, a developing country, was a part of India (Indo-Pak), which was ruled by the British for 90 years (1857-1947). In 1947 the region was divided into two states Pakistan (which had a Muslim majority) and India (which currently has a Hindu majority). Pakistan consisted of two administrative regions: East Pakistan and West Pakistan. In 1971 East Pakistan became another country called Bangladesh. Pakistan is located in Southern Asia and has borders with India in the east, Iran in the west, China in the north, Afghanistan in the north-west, and with the Arabian Sea to the South of Pakistan. Pakistan has total area of 796, 095 sq km and has all kinds of weathers: freezing in the north, moderate in the north-west, and hot and dry weather in the rest of the country (The World Factbook, 2014). Pakistan has four provinces (Punjab, Sindh, Baluchistan, and Khyber Pakhtunkhwa) and two territories (Federally Administered Tribal Areas and Islamabad Capital territory) and it has six major ethnic groups: Punjabi (44.68%), Pashtun (15.42%), Sindhi (14.1%), Sariaki

(8.38%), Muhajirs (7.57%), and Baloch (3.57%) (The World Factbook, 2014). The most commonly spoken languages in this region are Punjabi (48%), Sindhi (12%), Saraiki (10%), Pashtu (8%), Urdu (official) (8%), Balochi (3%), Hindko (2%), and Brahui (1%) (The World Factbook, 2014). Pakistan is a Muslim-majority country, in which 95% of the people are Muslim and 5% are Christian and Hindus. Based on the above evidence, it can be argued that Pakistan is a large, multi-ethnic, multi-lingual, and multi-faith society.

Pakistan is an economically weak country and has a Gross National Income Per Capita of \$1260 that is lower than the average for South Asian countries i.e. \$1437 (see World Bank, 2012). Furthermore, 23.9% of the population live below the poverty line (World Bank, 2006) and 15% of the population have no access to clean drinking water in Pakistan (World Bank, 2011). In addition to this, life expectancy in Pakistan is 66.3 years, which is slightly lower than the average for South Asian countries i.e. 66.4 years (World Bank, 2011). Primary school enrolment rate in Pakistan stood at 92.3%, also lower than the average of South Asian countries i.e. 110%<sup>1</sup> in 2011 (World Bank, 2011). This data reflects the weak economic position of Pakistan. Each successive government<sup>2</sup> has been led by either Pakistan Peoples Party (PPP), Pakistan Muslim League Nawaz (PMLN), or Martial Law Administrators, except the PPP led government in 1972-77, followed the principles of a market economy and focused on the promotion of industrialization<sup>3</sup> in Pakistan by establishing industrial

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<sup>1</sup> The primary school enrolment rate can exceed 100% due to the inclusion of under-aged and over-aged students because of their early or late entrance and grade repetition (World Bank, 2011).

<sup>2</sup> The main parties are Pakistan Peoples Party (PPP), Pakistan Muslim League-Nawaz (PML-N), Muttahida Quami Movement (MQM), Pakistan Muslim League – Quid-e-Azam (PML-Q), The Jamiat Ulema-e-Islam Fuzal-ur-Rehman (JUI-F), Jamaat-e-Islami (JI) (The World Fact book, 2012), and Pakistan Tehreek-e-Insaf (PTI)

<sup>3</sup> As at the time of independence (i.e. 1947), Pakistan received a small percentage (4%) of the total industries established in the Indian-subcontinent (see Jaleel, 2011).

development institutions<sup>4</sup> (Jaleel, 2011) and introducing attractive government policies<sup>5</sup> (see Noman, 1991; Jaleel, 2011) that resulted in substantial industrial growth, particularly in the first four decades (1949/50 to 1989/90) of Pakistan (see Figure 2.1). According to the Pakistan Bureau of Statistics (2011), in the last six decades (1955/56 to 2010/11), manufacturing and the other sectors (excluding agriculture sector) of Pakistan have experienced overall average annual growth of 6.40% and 5.50% respectively (see Figure 2.1). As a result, 648 large public (financial and non-financial) companies now operate in Pakistan and are listed at different stock exchanges of Pakistan, including KSE, LSE, and ISE (SECP, 2011). These companies are mainly owned by the families, the state, and the affiliates of multinationals (see Javid & Iqbal, 2010).

**Figure 2-1: GDP/GNP (Annual Growth Rate)**

Sectors	(Percentage)										
	First Plan (1955-60) (Actual)	Second Plan (1960-65) (Actual)	Third Plan (1965-70) (Actual)	Non Plan (1970-78) (Actual)	Fifth Plan (1978-83) (Actual)	Sixth Plan (1983-88) (Actual)	Seventh Plan (1988-93) (Actual)	Eighth Plan (1993-98) (Actual)	Non-Plan 1998-04 (Actual)	Medium Term Dev. Fwork (MTDF) (2005-10) (Actual)	Non-Plan 2010-11 (Provisional)
GNP (fc)	3.0	6.8	6.5	5.5	6.8	4.8	4.1	3.9	5.8	4.6	2.9
GDP (fc)	3.0	6.8	6.6	4.2	6.6	6.2	4.8	4.2	4.4	4.4	2.4
Sectors:											
Agriculture	2.0	3.8	6.3	1.8	4.5	3.5	4.0	5.9	2.4	3.4	1.2
Manufacturing	5.2	11.7	8.1	4.5	9.9	8.2	5.0	3.6	6.7	4.6	3.0
Others	3.5	8.3	6.5	6.2	6.9	7.0	5.2	3.8	4.4	5.1	4.1

Source: Pakistan Bureau of Statistics Planning and Development Division

The growth in different sectors resulted in an average annual GDP growth of 4.87% in the last six decades (Pakistan Bureau of Statistics, 2011) and resulted in an increase in GNI per capita from \$340 in 1980 to \$1260 in 2012. In addition to this, manufacturing and other sectors (excluding agriculture sector) accommodate

<sup>4</sup> For example: Industrial Finance Corporation, Industrial Investment and Credit Corporation, and Pakistan Industrial Development Corporation (Jaleel, 2011)

<sup>5</sup> For example: protection of the domestic sector, introduction of the export incentives, development of industrial and export processing zones etc. (Noman, 1991).

53.35%<sup>6</sup> of the employed persons in Pakistan (see Pakistan Bureau of Statistics, 2011). Despite corporations' contributions to the national economy (see Pakistan Bureau of Statistics, 2011) Pakistani corporations have created adverse social, ethical, and environmental effects (see Lund-Thomsen, 2004; Hussain-Khaliq, 2004; Lund-Thomsen et al., 2006; Ahmad, 2006; HRCP, 2011; Ayub, 2012; Bukhari, 2012). The key issues caused by the companies, especially in the manufacturing sectors, are labour (e.g. health and safety incidents and unpaid overtime etc.) and environment-related matters (see HRCP, 2011; Clean Clothes Campaign, 2013; Ayub, 2012; Bukhari, 2012; Lund-Thomsen & Nadvi, 2010; PEPA, 2005a; Khwaja, 2012; Lund-Thomsen, 2004; Lund-Thomsen et al., 2006). These are discussed in detail below. These issues are also reported to be prominent in other developing countries such as Bangladesh (see Belal 2001; Belal & Owen, 2007; Islam & Deegan, 2008).

The neglect of health and safety at the workplace by the corporations can clearly be seen from the industrial accidents in the country. Indeed, serious industrial accidents have increased from 354 to 419 in Pakistan during the time period 2000 to 2008 (Daily Time, February 11, 2012). Further, the number of recent industrial accidents (e.g. Baldia town garment factory accident in Karachi, shoe factory accident in Lahore and pharmaceutical factory accident in Lahore) occurred due to fire eruption, electric short circuit, and boiler explosion etc. in the factories and resulted in the deaths of more than 275 people<sup>7</sup> and exemplify the current health and safety

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<sup>6</sup> 44.65% of employed persons are working in the agriculture sector of Pakistan (see Pakistan Bureau of Statistics, 2011).

<sup>7</sup> The Baldia town garment factory fire accident in Karachi in 2012 resulted in more than 250 employees' deaths (Ayub, 2012). The Shoe factory fire accident in Lahore in 2012 resulted in death of 24 people and several injuries (The Express Tribune, 2012). An accident happened in a company in Lahore making spare parts for the automobiles due to electric short circuit and resulted in six

challenges in Pakistani companies (see Ayub, 2012; The Express Tribune, 2011; Bukhari, 2012). These types of health and safety related incidents are also very common in other developing countries such as Bangladesh (see Belal & Owen, 2007; Islam & Deegan, 2008). The recent industrial accidents put workplace conditions in Pakistan under the spotlight but it remains to be seen whether this has resulted in genuine steps to improve the working conditions in Pakistan.

In addition to the health and safety problems, labourers, particularly in the garment sectors, are paid below the minimum legal wage (see ILRF, 2010, HRCP, 2011; Clean Clothes Campaign, 2013). The labourers are sometime given temporary contracts (see ILRF, 2010; Lund-Thomsen, 2004), which make them unable to claim social benefits e.g. health care and old age benefits (see ILRF, 2010). Other research has shown evidence of other types of labour exploitation (e.g. unpaid work, long working hours, and difficult working conditions etc.) in the garment and leather industry of Pakistan (see Clean Clothes Campaign, 2013; Lund-Thomsen, 2004).

Turning to environmental pollution, according to Khwaja (2012) 20% of the registered industries in Pakistan are considered to be highly pollution-intensive and are creating environmental pollution. This can be seen from the example of leather tanneries, an export oriented industry of Pakistan, which was found to be involved in polluting the water, which resulted in massive protests from the local community (see Lund-Thomsen & Nadvi, 2010; Lund-Thomsen, 2004; Lund-Thomsen et al., 2006). Similarly, the survey by the federal environmental protection agency shows that the leather tanneries located in Kasur and Sialkot are discharging effluents containing a

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employees' deaths and a few injuries (The Express Tribune, 2011). The collapse of a three storey building of the pharmaceutical factory, making veterinary products, due to the boiler explosion resulted in 5 employees' death and 13 employees' injuries (see Bukhari, 2012).

chrome concentration of 182-222mg/litre, which is substantially higher than the legal standard i.e. 1mg/litre (PEPA, 2005a). It has been reported that many of the polluters are textile units, which are accused of producing 52 million gallons of effluents on the daily basis (See Dawn, January 28, 2009). A survey by 'The Nation' shows that 2500 industrial units including 170 leather tanneries in Karachi are throwing untreated waste into the sea (see The Nation, 2009; The Dawn, January 28, 2009) thereby deprives the indigenous population of access to their livelihood as it is predominantly based on fishing and boating. Similarly a survey of 38 industrial estates in Pakistan by The Sustainable Development Policy Institute (SDPI) shows that most of the industrial estates and industrial units are discharging their waste water in the agricultural fields, growing food and vegetables (Khwaja, 2012), which may be harmful for the humans using them. Furthermore, it has been reported that less than one percent of the industrial waste is being treated in Pakistan (see The Express Tribune, 2012b). Thus the above presented evidence highlights that the companies in Pakistan are causing severe environmental pollution.

In addition to the labour and environmental problems mentioned above, issues of the violation of consumers' rights are of particular worry in Pakistan (see Ahmad, 2006) and some companies in Pakistan were found to be involved in providing unsafe and fake products to the consumers. It can be seen from the toxic cough syrup scandal which resulted in 35 deaths in Pakistan (Dawn Pakistan, December 29, 2012). Moreover, four fake drug factories (The Nation, December 02, 2012) and one fake soft drink factory were unearthed in Pakistan (Dawn Newspaper, August 12, 2012). Likewise some companies in the banking sector are accused of misleading advertising and promotions, withholding information from consumers, and making ethically dubious changes in the product features (see Ahmad, 2006; Raza, 2006).

Furthermore, Hasan et al., (2011) found that some telecom companies in Pakistan are involved in deceptive advertising and promotion.

In addition to the problems mentioned above, Pakistani companies are alleged to be involved in tax evasion (see Akhter, 2014; Anjum, 2014a; Anjum, 2014b), bribery (Anjum, 2014b), and unlawfully securing lucrative government contracts (see Islam, 2013). It has been found that 73 companies, including large manufacturers of edible oil and ghee, are evading taxes to the amount of Rs. 90 million (see Akhter, 2014). Similarly 42 companies operating in the steel and chemical sector obtained an illegal tax refund of Rs. 700 million (see Anjum, 2014a). Recently a scandal was unearthed in which 500 companies were involved in an illegal refund of Rs. 40 billion and later on these companies were black listed (see Anjum, 2014b). Similarly, some other companies were alleged to be evading taxes (see Jehangir, 2014) and mis-declaring their consignments in order to avoid taxes (see Ahmed, 2014c). Due to widespread corruption in the country, businessmen manage to obtain lucrative contracts. A recent example of this is the case of 'Engro Chemical', a privately owned subsidiary, which is involved in manufacturing of fertilizer in Pakistan and has managed to secure a contract (duration 2013 to 2030) to obtain natural gas, used as a raw material for the fertilizer production, at the subsidised rate from 'Mari Petroleum Company Limited', a state owned corporation (see Islam, 2013). It is estimated that this contract, if executed, will loss to national exchequer by Rs. 211.14 billion (see Islam, 2013).

The prevalence of widespread social and environmental problems created by Pakistani companies, as discussed above, has led to an increasing demand for accountability and transparency in business practices from both the governmental



and non-governmental organizations in Pakistan (see CSR order, 2009; Hussain-Khaliq, 2004; ILRF, 2010; HRCP, 2011; Ayub, 2012). Such increasing demand may drive corporations to engage in socially responsible practices and their subsequent disclosure. It has been noted in other developing countries such as Bangladesh that social and environmental problems created by corporations have resulted in increased demand for accountability and transparency in business practices (see Belal & Owen, 2007) that has resulted in reporting about the practices taken to address those social and environmental problems (see Islam & Deegan, 2008). The requirements of the governmental (i.e. regulatory institutions) and non-governmental organizations in Pakistan to address the social and environmental problems associated with corporations are discussed in the following two sections.

## **2.2 Legal System and Corporate Social and Environmental Performance**

The legal and institutional framework of Pakistan, to some extent, purports to govern the main social and environmental aspects of company performance, such as the prevention of slavery, forced, and child labour (The constitution of Pakistan Article 11); the freedom to form unions and associations (The constitution of Pakistan Article, 17); the prevention of sexual discrimination (The constitution of Pakistan, Article 25 (2)); the provision for safe working conditions (The constitution of Pakistan Article, 37(e)); and the provision of social security, welfare, and old age benefits (Ghayur, 1996); and the protection of environmental and consumers rights (The constitution of Pakistan, Article 9a).

The laws regarding labour issues are: the Factories Act 1934, the Mines Act 1923, the Workmen Compensation Act 1923, the Provincial Employees Social Security

Ordinance 1965, the West Pakistan Shops and Establishment Ordinance 1969, the Employment of Children Act 1991, the Bonded Labour System Abolition Act 1992, and the Punjab Industrial Relations Ordinance 2010. These laws and regulations are implemented through The Ministry of Labour and Manpower of Pakistan (MLM).

The main laws regarding the protection of the environment are the Environmental Protection Act 1997, the Pakistan Penal Code 1860, and the Factory Act 1934. Under these rules and regulations, certain guides and standards have been established to protect the environment, including the control of pollution and hazardous waste. These laws are implemented by the Environmental Protection Agency (EPA), a department working under the Ministry of Climate Change of Pakistan.

The main laws regarding the protection of consumers' rights include the Price Control Act 1977 and the Consumer Protection Act 1995, which cover issues of the provision of information about products' price, quality, and quantity etc. The federal and the provincial consumer councils are responsible for the implementation of consumer-related laws at the federation and at the province levels respectively (See Ahmed, 2013).

The laws mentioned above require companies, among others, to provide a safe working environment, to protect the environment, and to protect the consumers' rights rather than requiring companies to disclose information about the actions taken to protect labour, environmental, and consumers' rights. Particularly focusing on companies' disclosure, the legal framework of Pakistan consists of the Companies Ordinance 1984, the International Financial Reporting Standards (IFRS), the Accounting and Financial Reporting Standards (AFRS) and the Code of

Corporate Governance (see SECP, 2014). The Companies Ordinance 1984 requires registered companies to disclose/maintain proper books of accounts such as balance sheets, income statements, and statements of cash flows etc. (see Companies Ordinance 1984). The International Financial Reporting Standards are financial reporting standards which are followed by large, listed companies of Pakistan to maintain their books of accounts. On the other hand, small and medium enterprises follow the Accounting and Financial Reporting Standards (AFRS) which are developed by the Institute of Chartered Accountants of Pakistan (ICAP) to maintain their accounts (see SECP 2014). The Corporate Governance Codes are developed by the SECP to protect minority shareholders' interests and mainly apply to the companies listed in Pakistan. Overall, SECP plays the critical role in ensuring that listed, public non-listed and private companies, which have paid-up capital above Rs. 7.5 million, disclose information according to the regulatory requirements (see SECP, 2014). It also ensures that companies are timely in circulating annual and interim reports to the shareholders. In order to evaluate whether a company is complying with the reporting standards or not, chartered accountants who are members of the ICAP actually examine companies' accounts and submit their report to the SECP. Based on the report submitted by the chartered accountants, the SECP initiates legal actions permitted in the law against those companies not complying with the regulatory requirements (SECP, 2014).

The regulatory framework of Pakistan mainly focuses on the reporting of financial information and pays little attention to the disclosure of social and environmental performance, although the SECP has introduced a law (i.e. CSR order 2009), which requires companies to disclose information about their CSR activities. The CSR Order 2009 only highlights the general items which may be reported by a company

to express its CSR performance in the annual report (see CSR Order, 2009) rather than specifying the format of CSR report and indicators to be reported by a company, as is the case in financial reporting, in order to demonstrate their accountability to a broad stakeholders other than shareholders.

### **2.2.1 Enforcement of Pakistani Laws**

The above discussion demonstrates that the legal system of Pakistan recognises the protection of consumers, labourers and environmental rights, but the enforcement of these laws is seen as weak in Pakistan. It has been argued that Pakistan lacks effective state mechanisms for protecting consumers' rights (CRCP, 2001; Ahmad, 2006) and to control environmental pollution in the country (Asian Development Bank, 2006). It has also been reported that the Pakistani government lacks capacity (and sometime political will) for monitoring the social and environmental performance of companies (see Lund-Thomsen, 2006; Lund-Thomsen et al., 2006; Khawja, 2012). Further, due to widespread corruption in the country (Transparency International, 2011), some officials of law enforcement agencies were found to be involved in giving undue favour to companies (see Lund-Thomsen et al., 2006), which could prove to be a hurdle for companies' compliance with social and environmental regulations in Pakistan. Thus there are several reasons, as mentioned, for the weak law enforcement of social and environmental regulations in Pakistan. With the prevalence of weak law enforcement mechanisms, the companies are less likely to follow the spirit of the laws regarding the protection of labour, environmental, and consumers' rights thus provides the room for voluntary types of CSR in Pakistan. Relating this to CSR disclosure, in the face of non-effective law enforcement mechanisms in Pakistan, companies can be assumed to be less likely

to follow the spirit of CSR order 2009, which requires companies to disclose CSR information in the annual reports. This law requires companies to report general CSR information rather than requiring companies to follow a specific format of reporting and indicators to be reported as CSR as is the case with GRI reporting guidelines (see GRI 3.1, 2011<sup>8</sup>). In contrast to the CSR Order 2009, GRI 3.1 (2011) requires companies to report their economic, social and environmental performance and also requires them to report three types of information (i.e. policies, management approach, and performance) about each theme. Thus the CSR Order 2009 leaves the reporting of CSR information to the discretion of companies which may result in inconsistency in CSR reporting among companies in Pakistan.

### **2.3 Non-Governmental CSR Promoting Institutions**

Previous scholarship has pointed to an association between companies' interaction with CSR-promoting institutions (i.e. membership of national clean industry programmes) and their sustainability reporting (see Perez-Batres et al., 2012). In the absence of effective state mechanisms in Pakistan several non-governmental CSR-promoting organizations such as the International Labour Organization (ILO), the Corporate Social Responsibility Centre of Pakistan (CSRCP), CSR Pakistan, the United Nations Global Compact (UNGC), the World Wide Funds (WWF), the Triple Bottom Line (TBL), the Leadership for Environment and Development (LEAD), and the Cleaner Production Institute (CPI) are persuading or motivating companies in Pakistan to act in a socially responsible manner or to disclose their CSR information. The ILO is a non-governmental organization and is developing labour related standards to protect the internationally recognised labour rights (ILO, 2014).

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<sup>8</sup> GRI reporting framework is used by more than 60% of global 1000 corporations (see Reynolds and Yuthas, 2007)

Furthermore, 185 countries including Pakistan are members of the ILO (ILO, 2013) and the government of Pakistan has ratified 36 ILO conventions i.e. international labour standards (ILO, 2012) that may be considered as a source of pressure for the companies operating in Pakistan to address their labour related issues. 'CSR Pakistan', an independent CSR network, has been operating in Pakistan since 2007 and is creating awareness about social and environmental issues by exchanging views and experiences, and sharing the contributions of other corporations through various workshops, seminars, and other forums (CSR Pakistan, 2013). In addition to this, 26 large corporations in Pakistan are members of this network (CSR Pakistan, 2013). CSRCP is another CSR reporting framework, which creates awareness about CSR issues and CSR reporting (CSRCP, 2013). It conducts research on CSR issues, provides training and consultancy on CSR to the organizations which range from profit oriented to non-profit organizations. In Pakistan, twenty seven national and multinational companies are members of this CSR network (CSRCP, 2013). The UNGC is the world's largest voluntary strategic policy initiative, and is committed to aligning business operations with the UNGC principles as they relate to labour, human rights, environment, and anti-corruption, and 8700 corporations from 130 countries are member of this network. Moreover, this network arranges seminars and workshops to promote UNGC principles and also discusses successful business practices with its corporate members. In Pakistan, 125 corporations are members of this network (Global Compact Pakistan Local Network, 2012). The WWF, a global network, operates in more than 100 countries and creates awareness about issues such as climate change, the unsustainable use of natural resources, and the vulnerability of rare species (WWF, 2013). In Pakistan, more than 300 corporations are member of the WWF (WWF, 2014). Furthermore, in association

with the ACCA Pakistan, the WWF has launched the 'Environmental Reporting Award' in 2002 to promote environmental reporting in companies operating in Pakistan (TBL1, 2014).

The Triple Bottom Line (TBL) initiative was launched in 2008 and focuses on the dissemination of CSR knowledge by producing a bi-monthly CSR related publication by a pool of 65 national and international authors performing different roles, such as CSR research, practice, and consultancy etc. (TBL, 2014). This network is highly visible as it appears among the top ten web pages in CSR related searches in Pakistan (TBL, 2014). The Leadership for Environment and Development (LEAD) is an NGO and is trying to create and sustain a network of leaders committed to sustainable development and LEAD has a presence in 12 countries including Pakistan and more than 2200 members (including 220 members from Pakistan) across the world are members of this network (see LEAD Pakistan, 2012). The Cleaner Production Institute (CPI) is an NGO which promotes green industrial environment in Pakistan, mainly focuses on improvements in energy and resources efficiency (CPI, 2013). In Pakistan, several industrial associations e.g. the Pakistan Tanners Association (PTA), the All Pakistan Textile Processing Mill Association (APTPMA), the Pakistan Sugar Mills Association (PSMA), and the Pakistan Pulp, Paper and Board Mills Association (PPPBMA) are members of the CPI (CPI1, 2013). In addition to the above NGOs, the National Forum for Environment and Health (NFEH) and the CSR Association of Pakistan are creating awareness about social (e.g. health and safety, and education etc.) and environmental issues and many corporations are members of these NGOs (see NFEH, 2014; CSR Association of Pakistan 2014). The NFEH has granted awards (e.g. the Corporate Social Responsibility Excellence Award, the Environmental Excellence Award) to

companies in Pakistan in recognition of their social and environmental contribution (see Naeem, 2012; NFEH, 2014a).

The question arises whether these non-governmental CSR promoting organizations will be able to bring significant impact on corporations' social and environmental practices. It may depend on their actual ability to influence the corporations to address their associated social and environmental issues (see Belal & Owen, 2007). Given the presence of some non-governmental CSR promoting organizations in many countries, these organizations could prove to be a source of pressure for companies operating in Pakistan to address their associated social and environmental problems and the disclosure of this, as is the case in other developing countries such as Bangladesh (see Islam & Deegan, 2008) and Mexico (see Perez-Batres et al., 2012).

## **2.4 Chapter Summary**

Pakistan is a large, multi-ethnic, multi-lingual, multi-faith, and economically weak country located in South Asia. Every government, except the government led by PPP in 1972-77, followed the principles of a market economy and focused on industrial growth that contributed to the national economy. Despite corporations' contribution to the national economy, corporations have caused various social and environmental problems in the country which have resulted in increasing demand from various groups (e.g. the government, the NGOs, media, and employees etc.) in Pakistan, for the companies to adopt socially responsible business practices. The government of Pakistan has developed various laws to govern the main social and environmental aspects of business performance and to regulate the disclosure of social and environmental information, but the government of Pakistan, as evidenced above,



lacks effective state mechanisms to ensure companies' compliance with governmental regulations governing companies' social and environmental behaviour. In the absence of effective state mechanisms, various international and national non-governmental organizations (e.g. ILO, CSRCP, CSR Pakistan, Global Compact Pakistan etc.) in the country appear to promote/push companies to act in a socially responsible manner and/or to disclose their CSR information, which may influence individual managers' attitudes towards issues of corporate social responsibility and their respective disclosure, as is the case in other developing countries such as Bangladesh and Mexico.

### **3. CHAPTER: CORPORATE SOCIAL RESPONSIBILITY (CSR) DISCLOSURE LITERATURE REVIEW**

#### **3.0 Introduction**

The purpose of this chapter is to formulate aims, questions and objectives of this research by reviewing the literature on determinants of CSR disclosure in both developed and developing countries but with particular attention to the latter. This chapter is organized as: the next section discusses the development of CSR disclosure and CSR disclosure research. The second section reviews CSR disclosure literature about developed countries. The third section reviews CSR disclosure literature about developing countries. The penultimate section examines CSR and CSR disclosure studies conducted in Pakistani context. The final section provides the rationale for research questions and formulates aims, questions and objectives for this research.

#### **3.1 Development in CSR Disclosure and CSR disclosure Research**

Evidence of reporting non-financial types of information in corporate reports can be traced back to the late eighteen century. Guthrie and Parker (1989) analysed non-financial disclosure of Broken Hill Proprietary Company Ltd (BHP), an Australian steel company, in 100 years of corporate reports and found evidence of non-financial types of disclosure at the end of 1880s. Unerman (2000) also found evidence of non-financial types of disclosure in a variety of reports published in 1897 by an Anglo Dutch Oil Company, Shell. CSR disclosure became widespread in the early 1990s and mainly focused on environmental aspects of company performance. Later in the mid-1990s reporting about social impacts became increasingly popular. Reporting organizations in the early 1990s and mid 1990s mainly disclosed social and

environmental information in their annual reports but only a few companies produced stand-alone social and environmental reports at that time. However, this became more common in the late 1990s (for details see the historical social reporting development section in Deegan & Unerman 2011). The format of reports has also changed with the passage of time. At first companies were producing social and environmental information in hard copy form, then in PDF form and now many companies are disclosing information in HTML (i.e. internet) format (ACCA, 2004). Moreover, companies are using various reporting frameworks such as: GRI, triple bottom line, and AA1000 to disclose their social and environmental performance information (Bouten et al., 2011; Deegan, 2009; Jenkins & Yakovleva, 2006).

There is an increasing trend towards reporting about companies' social and environmental performance. Fewer than 100 non-financial reports, with different titles, for example environmental reports, sustainability reports and social reports etc., were produced in 1993 but by the end of 2003 this had grown to more than 1500 social reports around the world (ACCA, 2004). KPMG's (2008) survey showed that 80% of the world's largest G250 companies<sup>9</sup> published CSR reports in 2008, a 30% increase since 2005. This result also supports the earlier comment that reporting by companies on social and environmental issues is continuously increasing. However, the importance attached by companies to reporting on social and environmental issues is not equally distributed around the world. This can be seen from the number of reports published in different regions. For example among the CSR disclosure reports published during the 1993-2003, 58% were produced by companies in Europe, 20% by companies in America, 20% by companies in both

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<sup>9</sup> G250 and N100 companies were taken from Australia, Brazil, Canada, Czech Republic, Denmark, Finland, France, Hungary, Italy, Japan, Mexico, Norway, Portugal, Romania, South Africa, South Korea, Spain, Sweden, Switzerland, The Netherlands, United Kingdom, and United States

Asia and Australia, and 2% by companies in Africa and the Middle East (ACCA, 2004). This indicates that, based on the number of reports published, companies in Europe and America gave more importance to social and environmental issues than companies operating in other regions (i.e. Asia and Africa). This situation remains the same. It can be seen from the GRI (2010) report that sustainability reports (comprising social and environmental information along with economic performance) have increased by 22% in 2010 as compared to the previous year and most of these reports were published in the developed regions: Europe (45%) and America (including both North and Latin America) (28%), while a lesser quantity of reports was published in the other three regions: Asia (20%), Oceania (4%), and Africa (3%). This also indicates that companies in the developed countries are paying more attention to social and environmental aspects of company performance than companies from the developing regions (e.g. Asia and Africa). If one focuses in particular on the number of social reports produced during the period 1993-2003 in the Asian and Australian regions, 53% of the reports were produced by companies from South East Asia and East Asia (particularly Japan, Hong Kong, Malaysia, and Singapore), 46% of the reports by companies from Australia and New Zealand, and 1% by companies in South Asia (including Pakistan and India). This indicates that South Asian companies are less concerned about social and environmental issues than companies operating in South East Asia and East Asia. It also indicates that within one region companies are not giving equal importance to social and environmental issues.

The publication of social and environmental information by companies has attracted the attention of the research community. Evidence of research on social and environmental disclosure issue can be traced back in the early 1980s (see Wiseman,

1982), however the research community's interest in social and environmental disclosure has substantially increased from the late 1980s (see studies Belkaoui & Karpik 1989, Guthrie & Parker 1989, Patten 1991, Roberts 1992, Gray et al. 1995, Deegan & Gordon 1996, Hackston & Milne 1996, Adams et al. 1998, Neu et al. 1998, Cormier & Magnan 1999). CSR disclosure researchers have paid more attention to environmental issues than to other social issues in their studies (see review papers by Mathew et al., 1997; Gray, 2002; Parker, 2005; Parker, 2011; Parker, 2014). Furthermore, CSR disclosure researchers paid more attention to developed countries than to the developing countries in their studies (see Meta-Analysis of 200 studies by Fifka, 2013). The present research particularly focuses on determinants/motivations for CSR disclosure, therefore, the researcher has paid more attention to papers/articles examining determinants of CSR (or environmental) disclosure and summarized them in the Tables 3.1, 3.2 and 3.3. Furthermore, for better understanding of the determinants of CSR disclosure, the researcher has categorized the studies into those on developed (having GDP per capita income above \$12276- World Bank, 2012) and on developing countries.

### **3.2 CSR disclosure about developed countries**

CSR disclosure studies in the developed countries predominantly focused on North America (Canada, the US), Australia, and North-Western Europe (the United Kingdom, Denmark, Finland, France, Germany, Ireland, The Netherlands, Norway, Sweden, and Switzerland) and paid less attention to Southern Europe (e.g. Italy, Spain) and Eastern Europe (e.g. Czech Republic, Hungary, Poland, Slovakia, Slovenia) (see Fifka, 2013 – Meta analysis). Out of 47 studies conducted in North America, 42 were focused on the US. Further, out of 41 studies conducted in North

Western Europe, the majority were dedicated to Germany (7 studies) and the United Kingdom (23 studies). Thus, in developed countries, the principal focus of CSR disclosure researchers was the US, the UK, Australia and Germany.

CSR disclosure studies conducted in the developed countries predominantly used the content analysis research method in determining the factors influencing CSR (or environmental) disclosure (see Table 3.1; Fifka, 2013 – Meta analysis). Further, these studies examined determinants of environmental disclosure or CSR disclosure, predominantly measured in a quantitative (e.g. extent or level) way (see Table 3.1), and paid little attention to other dimensions of CSR disclosure e.g. human resource, community involvement, and products and consumer disclosure. The inferences drawn from the review of existing CSR disclosure studies in developed countries (see Table 3.1) do accord with the earlier commentaries that researchers have paid more attention to environmental disclosure issues (see Methew et al., 1997; Gray, 2002; Parker, 2005; Parker, 2011).

The factors examined in the CSR (or environmental) disclosure studies conducted in developed countries mainly fall into the categories of company characteristics and general contextual factors (see Table 3.1). Further, most of the studies reviewed, used a specific theory (or a combination of theories) to explain the determinants/motivations of CSR disclosure (see Table 3.1). However, the legitimacy theoretical framework dominated in research on determinants/motivations of CSR disclosure. Now specific factors examined by these studies are discussed under their respective categories.

**Table 3.1: Determinants/motivations of CSR (or environmental) disclosure in developed countries**

Authors	Country	Theoretical perspective	Determinants			CSR Disclosure				Measurement		
			Company Characteristic	External Contextual	Internal Contextual	ED*	HRD*	PCD*	CID*	TD*	Qn*	QI*
Studies used content analysis method												
Wiseman (1982)	US	N/A*	Environmental performance (0)			✓						✓
Belkaoui and Karpik (1989)	US	AT*	Size (+), systematic risk (+), social performance (+)	Political visibility (+) proxied by size and systematic risk, leverage (-)				✓			✓	
Guthrie and Parker (1989)	Australia	LT*		External pressure (+)						✓	✓	
Patten (1991)	US	LT	Size (+), industry (+), financial performance (0)	Public pressure (+) proxied by size and industry						✓	✓	
Roberts (1992)	US	ST*	Financial performance (+), systematic risk (-)	Leverage (+)						✓	✓	
Gray et al. (1995)	UK	LT, ST, PE*	Size (+)	Political development (+)						✓	✓	
Deegan and Gordon (1996)	Australia	LT	Size (+), industry (+)	Environmental concerns (+) proxied by membership of environmental groups		✓					✓	
Hackston and Milne (1996)	New Zealand	LT	Size (+), industry (+), overseas listing (+), financial performance (0)							✓	✓	
Adams et al. (1998)	6 European Countries	LT	Size (+), Industry (+)	Country (+)		✓	✓ <sup>10</sup>			✓	✓	
Adams and Harte (1998)	UK	PE		Country (+) longitudinal study	Management attitude (+)		✓				✓	
Neu et al. (1998)	Canada	LT		Shareholder (+), creditors (0), environmentalists (+), regulators (+), media concerns (-)		✓					✓	
Cormier and Magnan (1999)	Canada	CBF*	Size (+), industry (+), information (+), financial performance (+)	Regulatory environment (+)		✓						✓
Buhr and Freedman (2001)	Canada and US	N/A	Size (+)	History (+),geography (+), political system (+), legal system (+), business climate (+)		✓					✓	
Deegan et al. (2002)	Australia	LT		Media attention to social issues (+)		✓	✓		✓	✓	✓	
Patten (2002)	US	LT	Size (+)			✓					✓	
Toms (2002)	UK	RBV*	Systematic risk (-)	Institutional ownership (+)		✓						✓

(Cont'd)

<sup>10</sup> Includes both employees and ethical disclosure

**Table 3.1: Determinants/motivations of CSR (or environmental) disclosure in developed countries**

Authors	Country	Theoretical perspective	Determinants			CSR Disclosure				Measurement		
			Company Characteristic	External Contextual	Internal Contextual	ED*	HRD*	PCD*	CID*	TD*	Qn*	QI*
Wilmshurst and Frost (2000)	Australia	LT*		Perceived importance of shareholders (+), investors (+), local community (+), suppliers (+), customers (+) concerns		✓					✓	
Adams (2002)	UK	N/A*			attitude towards reporting, perceived cost and benefits of reporting							
Cormier and Magnan (2003)	France	CBF	Size (+), industry (+), dependence on capital markets (+) financial performance (+)			✓						✓
Cormier et al. (2005)	Germany	MT*	Size (+), industry (+), age of assets (+), risk (+), financial performance (0), routine (+)	Public pressure (+), ownership (+)		✓						✓
Hasseldine et al. (2005)	UK	SigT & RBV*		Environmental Reputation (+) as a dependent variable		✓						✓
Laan-Smith et al. (2005)	Norway and Denmark	ST		Country (+)						✓	✓	✓
Van Staden and Hooks (2007)	New Zealand	LT				✓					✓	✓
Brammer and Pavelin (2008)	UK	N/A	Size (+), industry (+)	Media exposure (0)		✓						✓
Reverte (2009)	Spain	AT, LT & ST	Size (+), industry (+), financial performance (0)	Media exposure (+), leverage (0)						✓	✓	
Tagesson et al. (2009)	Swedish	AT, LT, & ST	Size (+), industry (+), financial performance (+)	Ownership (govt. vs private) (+)						✓	✓	
Chih et al. (2010)	34 countries <sup>11</sup>	N/A	Size (+), financial performance (0)	Level of legal enforcement (+), (0)	Competitiveness (+), self-regulation (+)					✓	✓	
Hou and Reber (2011)	US		Size (+), industry (+)							✓	✓	
Bouten et al., (2011)	Belgium	AccT*	Size (+), industry (+)							✓		✓
Oh et al. (2011)	Korea	AT		Institutional ownership (+) and foreign ownership (+)						✓	✓	
Nikolaeva and Bicho (2011)	600 global companies	IT, RBV, and SigT	Media visibility (+) related to GRI adoption	Media pressure (+) related to GRI adoption	Competitive advantage (+)					✓		

(Cont'd)



**Table 3.1: Determinants/motivations of CSR (or environmental) disclosure in developed countries**

Authors	Country	Theoretical perspective	Determinants			CSR Disclosure				Measurement		
			Company Characteristic	External Contextual	Internal Contextual	ED*	HRD*	PCD*	CID*	TD*	Qn*	QI*
Escobar and Vredenburg (2011)	MNCs operating in oil & gas	RBV & IT		Broad social pressure (+) for sustainable development						✓		
Shi et al. (2012)	US	AT, IT & BonT*		Firm home country regulation (+), ownership structure (+)						✓	✓	
Jo and Harjoto (2012)	US	AT & ST			Governance structure (+)					✓	✓	
<b>Studies used Interview/survey (questionnaire) method</b>												
O'Dwyer (2002)	Ireland	LT	Industry (+)		Management attitude (+)					✓		
Adams (2002)	UK & Germany	N/A		Response to public pressures (+), fear of public reaction to bad news is considered a reason for absence of CSR disclosure Country of origin (+)	Managers' attitude towards reporting impacts, and audit (+) To enhance corporate image					✓A*		
O'Donovan (2002)	Australian	LT		To manage public relations (+)	To present positive picture of social and environmental performance (+)					✓B*		
Thorne et al. (2014)	Canada	Multiple theoretical perspectives*		Response to scrutiny by external stakeholders (+) (for issuing separate CSR report) Lack of external pressures, lack of perceived benefits, and lack of regulatory requirements (for not issuing separate CSR report) (-)						✓C*		

**Comment:** Scarcity of studies examining determinants of individual dimensions of CSR disclosure (i.e. human resource, products and consumers, and community involvement disclosure).  
Scarcity of studies examining determinants of CSR disclosure measured in qualitative way

\*ED: environmental disclosure, HRD: human resource disclosure, PCD: products and consumers disclosure, CID: community involvement disclosure, and TD: total CSR disclosure; N/A: Not Applied, Qn: Quantity, QI: Quality, AT: Agency theory, AccT: Accountability theory, LT: Legitimacy theory, ST: Stakeholder Theory, IT: Institutional Theory, RBV: Resource Based View, PE: Political economy theory, CBF: Cost and benefit framework, BonT: Bonding theory, MT: Multi-theory: Economic incentives, public pressures & institutional, SigT: Signalling theory, +: significant positive correlation OR proof of influence, '-': significant negative correlation OR proof, '0': No evidence OR relationship. A: Interviews with corporate executives of 7 multinational companies were conducted. B: Interviews with six senior managers. C: Survey (questionnaire)

### 3.2.1 Company Characteristics

In this category, the most frequently examined determinants are company size and corporate industry (see Table 3.1). The studies in developed countries are coherent and have found that company size has a significant positive relationship with CSR (or environmental) disclosure (see Belkaoui & Karpik, 1989; Patten, 1991; Adams et al., 1998; Cormier & Magnan, 2003; Brammer & Pavelin, 2008; Reverte, 2009; Chih et al., 2010; Hou & Reber, 2011; Bouten et al., 2011). Similar to corporate size, the studies in developed countries have found a strong relationship between corporate industry and CSR (or environmental) disclosure (see Patten, 1991; Deegan & Gordon, 1996; Hackston & Milne, 1996; Adams et al., 1998; Cormier & Magnan, 2003; Cormier et al., 2005; Brammer & Paveline, 2008; Reverte, 2009; Tagesson et al., 2009; Hou & Reber, 2011; Bouten et al., 2011). The third most commonly examined determinant of CSR (or environmental) disclosure, based on the studies reviewed, is corporate financial performance, where some of the studies found a significant positive relationship (see Patten, 1992; Cormier & Magnan, 1999; Cormier & Magnan, 1999; Tagesson et al., 2009) while some found an insignificant relationship (see Patten, 1991; Hackston & Milne, 1996; Cormier et al., 2005; Reverte, 2009; Chih et al., 2010). In addition to this, other company characteristics, for example dependence on capital markets (Cormier & Magnan, 2003), media social visibility (Nikolaeva & Bicho, 2011), and age of assets (Cormier et al., 2005) were found to be positively influencing CSR (or environmental) disclosure. However, the results on the systematic risk characteristic were found to be inconsistent in developed countries as some studies found a significant positive relationship (Belkaoui & Karpik, 1989; Cormier et al., 2005) while some showed a significant

negative relationship (Roberts, 1992; Toms, 2002) with CSR (or environmental) disclosure.

### **3.2.2 General Contextual Factors**

Disclosure studies in the developed countries examined/identified a range of external factors influencing CSR (or environmental) disclosure (see Table 3.1). The disclosure studies have shown that differences in national contextual factors resulted in variation in CSR practices in general and CSR disclosure in particular (see Matten & Moon, 2008; Jackson & Apostolakou, 2010; Laan-smith et al., 2005; Adams et al., 1998). Matten and Moon (2008) conducted a comparative CSR study in the US and Europe and found that different institutional contexts (i.e. political, financial, educational and labour relations, and cultural systems) of companies resulted in differences in CSR (i.e. implicit CSR and explicit CSR) practices. Similarly another CSR study was conducted by Jackson and Apostolakou (2010) in liberal and coordinated market economies of Europe and it was found that, due to the differences in institutional contexts, companies in liberal market economies scored higher on most of the dimensions of CSR than companies operating in coordinated economies. Laan-Smith et al. (2005) conducted a comparative CSR disclosure study of Norway/Denmark and the US and found that contextual factors (i.e. ownership structures, governance systems, and cultural systems) resulted in variation in CSR disclosure in these countries. Adams et al. (1998) conducted a CSR reporting study in six European countries: Germany, France, Sweden, Switzerland, The Netherlands, and the UK and found significant influence of country of domicile (proxy of country context) on CSR disclosure.

In addition to the national contextual factors, the concerns of specific stakeholders for example regulators (Neu et al., 1998; Cormier & Magnan, 1999; Chih et al., 2010; Shi et al., 2012), shareholders (see Neu et al., 1998; Toms, 2002; Thorne et al., 2014), creditors (Roberts, 1992; Oh et al., 2011), investors (Wilmshurst & Frost, 2000), environmentalists (Deegan & Gordon, 1996; Neu et al., 1998) and media (Neu et al., 1998; Deegan et al., 2002; Reverte, 2009; Nikolaeva & Bicho, 2011) in a given country were also found to be influencing CSR disclosure (see Table 3.1). In addition to this, corporate executives in the developed countries also pay attention to the concerns of the local community, suppliers and customers in their decision to disclose CSR information (see Wilmshurst & Frost, 2000). Further, some studies have shown that companies, in developed countries, appeared to disclose CSR (or environmental) information due to public pressure (see Belkaoui & Karpik, 1989; Patten, 1991; Cormier et al., 2005).

### **3.2.3 Internal Contextual Factors**

As compared to the factors discussed above, CSR (or environmental) disclosure studies, in the developed countries, paid relatively little attention to internal contextual factors. Within this category most attention was focused on investigating corporate executives' attitudes towards CSR (or environmental) disclosure (see Adams & Harte, 1998; Adams, 2002; O'Dwyer, 2002). These studies have shown that corporate executives have overall positive attitudes towards CSR disclosure. Furthermore some studies have shown that, in developed countries, companies disclose CSR information to gain competitive advantage (Chih et al., 2010; Nikolaeva & Bicho, 2011), to enhance corporate reputation (Adams, 2002), and/or to present a socially responsible image to the external world (O'Donovan, 2002). In

addition to this, corporate governance structures were found to be positively influencing CSR disclosure in developed countries (see Jo & Harjoto, 2012).

### **3.3 CSR disclosure about developing countries**

CSR disclosure studies in the developing countries mainly focused on the African and Asian regions (see Fifka, 2013 – Meta analysis; Belal & Momin, 2013 – review paper). In Africa, the predominant focus was on South African companies (see Belal & Momin, 2009; Fifka, 2013). In the Asian region, CSR disclosure researchers paid more attention to East Asia (e.g. China, Hong Kong, Japan, South Korea) and South East Asia (e.g. Indonesia, Malaysia, Philippine, Singapore, Thailand) and lesser attention to other regions: South Asia (e.g. Bangladesh, India) and the Middle East (e.g. Jordan, Qatar, Saudi Arabia) (see Fifka, 2013). Furthermore, most attention was given to China and Hong Kong in East Asia, to Malaysia and Singapore in South East Asia, and to Bangladesh in South Asia (derived from Fifka, 2013). Thus, in the developing/emerging countries, CSR disclosure studies were mainly targeted on Malaysia, Singapore, South Africa, China, Hong Kong and Bangladesh.

Consistent with the studies of developed countries, the studies conducted in developing countries made more use of the content analysis research method, in comparison to interviews and surveys, in ascertaining the determinants/motivations of CSR disclosure (or non-disclosure) (see Table 3.2 & 3.3; Belal & Momin, 2009; Fifka, 2013). Further, consistent with the studies in developed countries, these studies mainly focused on CSR (or environmental) disclosure measured in the quantitative way (see Table, 3.2). This pattern is also consistent with the findings of earlier CSR disclosure review papers (see Mathew et al., 1997; Gray, 2002; Parker, 2005; Belal & Momin, 2009; Parker, 2011).

**Table 3.2: Determinants/motivations of CSR (or environmental) disclosure in developing countries (content analysis based studies)**

Authors	Country	Theoretical perspective	Determinants			CSR Disclosure				Measurement		
			Company Characteristic	External Contextual	Internal Contextual	ED*	HRD*	PCD*	CID*	TD*	Qn*	QI*
Singh and Ahuja (1983)	India	N/A*	Size (+), industry (+), financial performance (+)							✓	✓	
Teoh and Thong (1984)	Malaysia	N/A	Size (+) related to commitment to social reporting	Foreign ownership (+) related to commitment to social reporting							✓s	
Tsang (1998)	Singapore	LT*	Industry (+)	Govt. initiatives resulted in increase in disclosure						✓	✓	
Williams (1999)	Asian-pacific nations #	PE*		Culture, political, social system (+)						✓	✓	
De-Villiers (2003)	South Africa	N/A		Absence of legal requirements (-)	Non-availability of data (-), Lack of motivation for CSR disclosure (-)							
Gao et al. (2005)	Hong Kong	N/A	Size (+), industry (+)							✓	✓	
Haniffa and Cooke (2005)	Malaysia	LT	Size (+), industry (+), multiple listing (+), financial performance (+)	Culture (+) proxied by malay directors	Governance structure (+),					✓	✓	
Alsaeed (2006)	Saudi-Arabia	N/A	Size (+), industry (0), financial performance (0), firm age (0)	Creditors i.e. leverage (0), audit firm size (0), Ownership dispersion (0)						✓	✓	
Amran and Devi (2007)	Malaysia	PE*	✓	Influence of government (+) – proxied by govt. shareholdings (+) and dependence on govt. (+)						✓	✓	
Kamla (2007)	Middle-East#	N/A		Country specific factors (+) resulted in variation in themes of disclosure						✓	✓	
Amran and Devi (2008)	Malaysia	IT*	Size (+), industry (+)	Influence of govt. (+) – proxied by govt. shareholdings (+), Dependence on govt. (+)						✓	✓	
Branco and Rodrigues (2008)	Portugal	LT & RBV	Size (+), media exposure (+)			✓	✓	✓	✓	✓	✓	
Wanderley et al. (2008)	Emerging Countries#	N/A		Country (+)						✓	✓	
Rizk et al. (2008)	Egypt	N/A	Industry (+)	Ownership structure (+)						✓	✓	
Mitchell and Hill (2009)	South Africa	N/A		Absence of legal requirements (-)	Lack of motivation for disclosure (-), non-availability of data (-), cost of obtaining data (-)					✓		

# **Asian-pacific nations:** Australia, Malaysia, Singapore, Indonesia, Hong Kong, Thailand, and Philippines; **Middle-East:** Saudi Arabia, Qatar, Kuwait, United Arab Emirates, Bahrain, Syria, Oman, Egypt, and Jordan; **Emerging countries:** Chile, Brazil, China, Indonesia, India, Thailand, Mexico, and South Africa

(Cont'd)

**Table 3.2: Determinants/motivations of CSR (or environmental) disclosure in developing countries (content analysis based studies)**

Authors	Country	Theoretical perspective	Determinants			CSR Disclosure				Measurement		
			Company Characteristic	External Contextual	Internal Contextual	ED*	HRD*	PCD*	CID*	TD*	Qn*	QI*
Sobhani et al. (2009)	Bangladesh	N/A	Industry (+)							✓	✓	
Tagesson et al. (2009)	Swedish	AT, LT, & ST*	Size (+), industry (+), financial performance (+)	Ownership (govt. vs private) (+)						✓	✓	
Monteiro and Aibar-Guzman (2010)	Portugal	N/A	Size (+), industry (0), stock market listing (+), financial performance (0), environmental certification (0), foreign percent company (0)			✓					✓	
Buniamin (2010)	Malaysia	LT	Size (+), industry (+)							✓	✓	
Huang and Kung (2010)	Taiwan	ST*	Industry (+)	Govt. (+), creditors i.e. leverage (-), consumers (+), suppliers (-), competitors (+), employees (+), shareholding concentration (-)	Audit firms (+)	✓					✓	
Khan (2010)	Bangladesh	LT	Size (+), financial performance (+)		Non-executive directors on board (+), existence of foreign nationals on board (+)					✓	✓	
Saleh et al. (2010)	Malaysia	N/A		Institutional ownership (+)						✓	✓	✓
Mahadeo et al. (2011)	Mauritius	LT	Size (+), financial performance (0)	Leverage (+) related to HR and ED		✓	✓		✓		✓	
Abd-Rahman et al. (2011)	Malaysia	N/A	Size (+)							✓	✓	
Haji (2013)	Malaysia	LT	Size (+)	Managerial ownership (-), government ownership (+),	Board size (+) related to Qnt					✓	✓	✓
Khan et al. (2013)	Bangladesh	LT		Managerial ownership (-), public ownership (+), foreign ownership (+)	Independent directors on board (+), presence of audit committee (+), Multiple directorship of chairman (0)					✓	✓	
Chiu and Wang (2014)	Taiwan	ST	Size (+), media visibility (+)	Impact of global supply chain (+), international capital markets (+)	Existence of independent CSR department (+)					✓		✓
Goncalves et al. (2014)	Brazil	N/A	Size (+), industry (+), listing in social investment funds (+)							✓	✓	
Kansal et al. (2014)	India	N/A	Size (+), industry (+)		Third party recognition i.e. awards and social rating (+)					✓	✓	

**Comment:** Scarcity of studies examining determinants of individual dimension of CSR disclosure (i.e. human resource, products and consumers, and community involvement disclosure).

Scarcity of studies examining determinants of CSR disclosure measured in qualitative way

ED: environmental disclosure, HRD: human resource disclosure, PCD: products and consumers disclosure, CID: community involvement disclosure, and TD: total CSR disclosure; N/A: Not Applied, Qn: Quantity, QI: Quality, AT: Agency theory, LT: Legitimacy theory, ST: Stakeholder Theory, IT: Institutional Theory, RBV: Resource Based View, PE: Political economy theory, CBF: Cost and benefit framework, BonT: Bonding theory, MT: Multi-theory: Economic incentives, public pressures & institutional, SigT: Signalling theory, +: significant positive correlation OR proof of influence, '-': significant negative correlation, '0': No evidence OR relationship, S: survey (questionnaire) method

**Table 3.3: Motivations/reasons for presence (or absence) of disclosure in developing countries (interviews or surveys based studies)**

Author	Country	Purpose	Theoretical Perspective	Methods used	General Contextual Factors	Internal Contextual Factors
De-Villiers (2003)	South Africa	To know the managers' attitude towards environmental disclosure and reasons for insufficient environmental disclosure	N/A	Questionnaire was used to elicit views of corporate directors	Absence of legal requirements	Positive attitude towards environmental disclosure Non-availability of environmental data
Rahaman et al. (2004)	Ghana	To explain social and environmental disclosure in Volta River Authority	Institutional theory	Document analysis and interview (with 54 top and operational staff member of VRA)	In response to institutional pressures (from World Bank regulatory requirement)	
Kuasirikun (2005)	Thailand	To know accounting professional's attitude towards social and environmental accounting	N/A	Questionnaire and interview		Have latent positive attitude towards social accounting that may result in CSR disclosure
Belal and Owen (2007)	Bangladesh	To explore perception about current and future state of CSR disclosure	N/A	Interview with 23 senior managers	To manage economically powerful stakeholder (notable parent companies, international buyers, and investors demand) Weak institutions is reason of absence of disclosure	To enhance corporate image
Islam and Deegan (2008)	Bangladesh	To examine pressures influencing social and environment performance in Bangladeshi garment manufacturing sector	Legitimacy, stakeholder, and institutional theory	Content analysis and in-depth interviews (with 12 senior executives)	To respond to powerful stakeholders' (e.g. international buyers, NGOs, Buying companies' government, international media) demands and To meet global expectations	
Mitchell and Hill (2009)	South Africa	To explores the reasons for non-implementation of GRI reporting	N/A	Interviews and questionnaire	Absence of legal requirements	Lack of motivation for disclosure, non-availability of data, cost of obtaining data
Belal and Cooper (2011)	Bangladesh	To explore reasons for the non-disclosure of CSR information	Political economy theory	23 semi-structured interviews with senior executives	Lack of public awareness Lack of legal requirements Fear of bad publicity	Lack of resources Departure from shareholder wealth maximization objective Poor corporate performance
Momin and Parker (2013)	Bangladesh	To explore motivations for the CSR reporting by MNSs in an emerging country	Legitimacy and Institutional theory	Case study – Documentary reviews (annual reports and newsletters) and 39 semi-structured interviews with senior management	To respond to social and industry awareness are the main reasons for MNSs CSR reporting. External environment of MNSs (informal norms and beliefs, very low expectations for CSR reporting, lax formal reporting regulation, low level of implementation of Law) is a major limitation for the development of MNSs CSR reporting	Management culture of parent company and enhance corporate image are the main reasons for MNSs CSR reporting.



Consistent with the studies in developed countries, company characteristics and general contextual factors got most attention in the research conducted in developing countries (see Table, 3.2 & 3.3). In contrast with the studies in developed countries, the majority of the studies reviewed in developing countries did not use a specific theory to explain the determinants/motivations of CSR (or environmental) disclosure (see Table 3.2 & 3.3). These inferences are consistent with the findings of Belal and Momin (2009). They reviewed CSR disclosure studies conducted in developing countries and found that this research is under-theorised. However, as in developed countries, legitimacy theory remained a dominant theoretical framework among the studies which used a specific theory to explain the determinants/motivations of CSR (or environmental) disclosure (see Table 3.2 & 3.3). This is also consistent with the findings of Belal and Momin (2009). Now the specific factors examined in the context of developing countries are discussed under their respective categories.

### **3.3.1 Company Characteristics**

Consistent with the studies in developed countries, based on the studies reviewed, corporate size and corporate industry appeared to be the most frequently examined determinants of CSR (or environmental) disclosure in developing countries. Corporate size, as in studies in developed countries, was found to have a significant positive relationship with CSR (or environmental) disclosure (see Singh & Ahuja, 1983; Teoh & Thong, 1984; Gao et al., 2005; Haniffa & Cooke, 2005; Alsaeed, 2006; Amran & Devi, 2008; Branco & Rodrigues, 2008; Tagesson et al., 2009; Buniamin, 2010; Haji, 2013; Chiu & Wang, 2014; Kansal et al., 2014). Similarly, corporate industry, except for a few studies which showed an insignificant relationship (Alsaeed, 2006; Monteiro & Aibar-guzman, 2010), was found to be associated with

CSR (or environmental) disclosure (see Singh & Ahuja, 1983; Tsang, 1998; Gao et al., 2005; Haniffa & Cooke, 2005; Amran & Devi, 2008; Rizk et al., 2008; Sobhani et al., 2009; Buniamin, 2010; Huang & Kung, 2010; Goncalves et al., 2014; Kansal et al., 2014). Consistent with results for the developed countries, corporate financial performance appeared to be the third most commonly examined determinant in the developing countries (see Table 3.2). Some of these studies showed that the financial performance characteristic has a significant positive relationship (Singh & Ahuja, 1983; Haniffa & Cooke, 2005; Tagesson et al., 2009; Khan, 2010; ) while some have shown an insignificant relationship with CSR (or environmental) disclosure (see Alsaeed, 2006; Monteiro & Aibar-guzman, 2010; Mahadeo et al., 2011). Furthermore, some studies showed that corporate media exposure does influence CSR (or environmental) disclosure in developing countries (see Branco & Rodrigues, 2008; Chiu & Wang, 2014). In addition to these factors, other corporate characteristics for example multiple listing of a firm (Haniffa & Cooke, 2005), stock market listing (Monteiro & Aibar-guzman, 2010) and listing in social investment funds (Goncalves et al., 2014) positively influenced CSR (or environmental) disclosure in developing countries.

### **3.3.2 General Contextual Factors**

Consistent with the studies conducted in developed countries, differences in national contextual (e.g. social, political and cultural) factors also resulted in variation in CSR disclosure in developing countries (see Williams, 1999; Kamla, 2007; Wanderley et al., 2008). This inference is consistent with the argument made in earlier studies (see Campbell, 2007; Carroll, 1979; Jones, 1980; McWilliams & Siegel, 2001; Muthuri & Gilbert, 2011). These argued that CSR is a socially constructed and dynamic

concept. This means that the same corporate behaviour which is considered acceptable at one place, may not be acceptable at another place and this may result in variation in types of CSR disclosure. As in the developed countries, some studies have shown that government initiatives (or regulations) have influenced the CSR reporting agenda in developing countries (see Tsang, 1998; Amran & Devi, 2007 & 2008; Huang & Kung, 2010). Complementary to this finding, the absence of CSR reporting regulations and their implementation are seen as a major reason for non-disclosure of CSR information in developing countries (see De-Villiers, 2003; Mitchell & Hill, 2009; Belal & Cooper, 2011; Momin & Parker, 2013).

In addition to government regulations, ownership structure does influence CSR disclosure in developing countries (see Rizk et al., 2008) as some studies have shown that government ownership (see Amran & Devi, 2007 & 2008; Haji, 2013), institutional ownership (Saleh et al., 2010) and foreign ownership (Teoh & Thong, 1984; Khan et al., 2013) each have a positive relationship with CSR disclosure while managerial ownership (Haji, 2013; Khan et al., 2013) and ownership concentration (Khan et al., 2013) have a negative relationship. Furthermore, a corporation's presence in a global value chain also influences its CSR practices in general and disclosures in particular (see Lund-Thomsen & Nadvi, 2010; Chiu & Wang, 2014).

In contrast to the developed countries, CSR responding agenda in developing countries is mainly influenced by the external forces/powerful stakeholders e.g. international buyers (see Belal & Owen, 2007; Islam & Deegan, 2008), foreign investors (Teoh & Thong, 1984; Belal & Owen, 2007; Khan et al., 2013; Chiu & Wang, 2014), international media concerns (Islam & Deegan, 2008) and international regulatory bodies e.g. World Bank (see Rahaman et al., 2004). Furthermore, in

contrast to developed countries, corporations in developing countries perceive little pressure from the local public for CSR disclosure (see Belal & Owen, 2007; Belal & Cooper, 2011; Momin & Parker, 2013).

### **3.3.3 Internal Contextual Factors**

In contrast to the developed countries, internal contextual factors were given importance equal to other factors i.e. company characteristics and general contextual factors in developing countries (see Table 3.2 & 3.3). Under this category, more attention was given to checking the relationship between corporate governance structure and CSR (or environmental) disclosure. The disclosure studies have shown that corporate governance characteristics e.g. multiple directorships of the chairman of the board (Haniffa & Cooke, 2005), presence of non-executive directors on the board (Khan, 2010), independence of directors (Khan et al., 2013), existence of foreign nationals on the board (Khan, 2010), board size (Haji, 2013), presence of an audit committee (Khan et al., 2013) and existence of an independent CSR department in a company (Chiu & Wang, 2014) have positively influenced CSR (or environmental) disclosure.

Some studies, consistent with those for developed countries, have shown that companies in developing countries also disclose information to enhance corporate reputation (see Belal & Owen, 2007; Momin & Parker, 2013) and/or to win corporate awards (Kansal et al., 2014). Furthermore, some studies have shown that corporate executives have a positive attitude towards CSR disclosure (see De-Villiers, 2003; Kuasirikun, 2005).

Certain studies have explored the internal reasons for non-disclosure of CSR information. The studies have found that non-availability of CSR data (De-Villiers,

2003; Mitchell & Hill, 2009), lack of motivations for CSR disclosure (De-Villiers, 2003; Mitchell & Hill, 2009), cost of CSR reporting (Mitchell & Hill, 2009; Belal & Owen, 2007), and poor corporate performance (Belal & Owen, 2007) are major internal reasons for non-disclosure of CSR information in developing countries.

### **3.4 CSR and CSR Disclosure in Pakistan**

As mentioned at the beginning of the preceding section, South Asia, as compared to East Asia and South East Asia, was given less attention by the research community. However, within South Asia, CSR disclosure researchers paid unusual attention to practices in Bangladesh and India (see Table 3.2). Pakistan is a South Asian country which has been neglected in CSR studies in general and CSR disclosure studies in particular. Corporate social responsibility is at a developing stage in Pakistan (Ahmad, 2006). A small number of CSR studies were conducted in the Pakistani context by Ahmad (2006), Lund-Thomsen & Nadvi (2010), Hussain-Khaliq (2004), Naeem & Welford (2009), and Hassan et al. (2012). Ahmad (2006) who explored best CSR practices, CSR perceptions of CEOs, and underlying reasons for CSR practices of Pakistani companies. He found that Pakistani companies are engaged in philanthropic types of CSR activities. Philanthropic activities include giving occasional or regular financial donations, donating employees' time and money, sponsoring events, offering free use of companies' facilities, and donating surplus office equipment etc. In addition to the above, CSR activities were focused on the protection of the environment, welfare of employees, occupational health and safety, ethically managing the supply chain, ethical marketing (Ahmad, 2006), public education, protection of children's rights (CSR Pakistan, 2013), treatment of polluted water and development of other community facilities such as infrastructure (Lund-

Thomsen & Nadvi, 2009) and the installation of water pumps (CSR Pakistan). Lund-Thomsen & Nadvi (2010) studied the pressure of the global value chain for CSR compliance in the leather industry of Pakistan and found that highly visible global value chain members i.e. lead firms<sup>12</sup>, along with international/national regulatory bodies, forced the leather tanneries to take collective action to address their concerns i.e. to treat the polluted water. Hussain-Khaliq (2004) studied the elimination of child labour from the soccer ball industry of Pakistan and found that Saga sports stopped outsourcing the manufacture of soccer balls and built their own stitching centres where all employees must be 18 or over. This initiative enables Saga Sports to assure buyers that the product they are being sold has not been made using child labour. Moreover, the Pakistani sports industry launched a child labour monitoring program with the help of the International Labour Organization (ILO) which has resulted in the prevention of child labour in the sports industry. Another study was conducted by Naeem & Welford (2009) and used a questionnaire to explore written policies on human rights, labour standards, environmental practices and the anti-corruption practices of multinational and local listed companies of Pakistan. Hassan et al. (2012) investigated the differences in the level of CSR practices between Islamic and non-Islamic commercial banks. They selected a sample of 10 Islamic and 10 non-Islamic banks operating in Bahawalpur<sup>13</sup> and collected 50 questionnaires from each type of bank and found little difference in the level of CSR practices.

Only a few CSR disclosure studies have been conducted in Pakistan. A description of these studies is presented in Table 3.4. Maali et al. (2006) examined social

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<sup>12</sup> Dominant firms in the value chain

<sup>13</sup> Bahawalpur is a city of Pakistan and located in the south of Punjab, a province of Pakistan

disclosure in the annual reports of 29 Islamic banks from 16 countries<sup>14</sup>, including Pakistan, and found that banks which were required to pay Zakat (Islamic tax) provided more social disclosure than banks not required to pay Zakat. This study included only one Islamic Bank i.e. Al-Meezan Investment Bank, from Pakistan, which alone cannot be taken as representative of the banking industry of Pakistan. Similarly, another study was conducted by Farook and Lanis (2007 conference proceedings) to explore the level of social disclosure and its determinants by selecting a sample of 47 Islamic banks from 14 countries<sup>15</sup>, including Pakistan, and found little social disclosure from the majority of Islamic banks. They also found a significant positive relationship between governance structure and investment account holders (measured by the ratio of investment accountholders funds to total assets) and CSR disclosure. This study selected only 8 Islamic banks from Pakistan. Nazir et al. (2010) reviewed the corporate social responsibility practices of two Tobacco companies operating in Pakistan and found that tobacco companies focused on community and employees' welfare activities. They argued that tobacco companies are pursuing social responsibility practices to generate goodwill among customers and other stakeholders. Nazir (2010) studied the corporate social disclosure of three fertilizer companies in Pakistan and found that most of the socially responsible activities were targeted at the development of community and employees, and he argued that these activities were carried out to generate goodwill. The following table provides the comprehensive picture of CSR disclosure studies about Pakistan.

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14 Jordan, Sudan, Iran, Bahrain, UAE, Palestine, Egypt, Turkey, Pakistan, Kuwait, Bangladesh, Qatar, Albania, South Africa, Russia, and Mauritania.

15 Bahrain, Pakistan, Bangladesh, Iran, Egypt, Jordan, Kuwait, Malaysia, Sudan, Saudi Arabia, UAE, Yemen, and Qatar

**Table 3.4: CSR disclosure studies about Pakistan**

Authors	Theory	Determinants	Sample	CSR disclosure measurement		Comment
				Quantity	Quality	
Maali et al. (2006)	---	---	One Islamic bank from Pakistan	Yes	---	Used identification method, which do not measure the extent of disclosure (Branco and Rodrigues, 2008)
Farook and Lanis (2007) Conference proceedings	Political economy, legitimacy, and stakeholder theory	Yes <sup>1</sup>	Eight Islamic banks from Pakistan	Yes	---	Used identification method, which do not measure the extent of disclosure (Branco and Rodrigues, 2008).
Nazir et al. (2010)	---	---	Two Tobacco companies	---	---	Disclosure was measured in narrative form
Nazir (2010)	---	---	Three fertiliser companies	---	---	Disclosure was measured in narrative form

1: Level of political and civil repression, size of Muslim population, corporate governance.

There are some weaknesses associated with the above disclosure studies. Firstly, except in the case of Farook and Lanis (2007) they did not use a specific theory (e.g. legitimacy, stakeholder or institutional) to explain CSR disclosure. Secondly, the above studies did not examine determinants of CSR disclosure except Farook and Lanis (2007), who checked the influence of level of political and civil repression, size of Muslim population and corporate governance variables on CSR disclosure (level) and ignored other determinants (e.g. company characteristics, ownership structure, and CSR promoting institutions etc.) of CSR disclosure. Thirdly, the disclosure studies examined disclosure practices of only a few companies. Fourthly, among the CSR disclosure studies about Pakistan, two studies: Nazir et al. (2010) and Nazir (2010) only reported CSR activities in a narrative form, while the remaining two studies: Maali et al. (2006) and Farook and Lanis (2007 conference proceedings), measured disclosure in a quantitative way. They used the identification method to measure the quantity of CSR disclosure. The identification method has weaknesses as it does not measure the extent of disclosure (see Branco & Rodrigues, 2008). Moreover, all of the disclosure studies about Pakistan ignored the quality of



disclosure. Hence there is a dearth of CSR disclosure studies on Pakistan which examine the quantity and quality of CSR disclosure and investigate determinants of CSR disclosure and its dimensions.

### **3.5 Development of Research Questions**

The review of CSR disclosure literature on the developed and developing countries in general and Pakistan in particular has shown that there is a scarcity of comprehensive studies, which examine the quantity and quality of CSR disclosure in Pakistan and explore the various factors influencing CSR disclosure (non-disclosure) there. Further, the academic literature has identified a need for more CSR disclosure studies in the context of developing countries (see Ghazali, 2007; Haji, 2013; Kansal et al., 2014) because it has already been argued in the literature that different societies defined the role of business in society differently and that these differences result in variation in the quantity and quality of CSR disclosure (see Williams, 1999; Laan-Smith et al., 2005; Kamla, 2007; Matten & Moon, 2008; Wanderley et al., 2008; Chih et al., 2010). Thus the exploration of CSR disclosure practices within another developing country i.e. Pakistan can contribute to the developing CSR disclosure literature about developing countries in general and Pakistan in particular.

As discussed in the preceding chapter, Pakistan is a developing country located in South Asia. It has a poor economic situation and a large number of people are deprived of basic facilities of life in it (see Chapter 2). Further the state institutions are very weak and ineffective in protecting the interests of individuals in Pakistan. In Pakistan 644 large listed companies are operating and have contributed to economic development of the country (see Chapter 2). Despite their economic contribution, it has been seen that these corporations have created many adverse social and

environmental problems in Pakistan (see Chapter 2). This is despite the ethical responsibility of the corporation to ensure the responsible use of the resources (e.g. human resources, natural resources, infrastructure and financial resources etc.) entrusted to them (see Gray et al., 1996; Gray 2001; Gray, 2007). Furthermore it is also an ethical responsibility/obligation of a corporation to provide an accurate account of its activities to fulfill its duty of accountability to society (see Gray et al., 1996; Gray 2001; Gray, 2007; Barkemeyer et al., 2014). In a country, such as Pakistan, where state institutions are very weak and ineffective, corporations will be less likely to disclose CSR information in recognition of their accountability, to the broad society, for the responsible use of the resources entrusted to them. It is really interesting to know then what really motivates/forces companies to disclose (or not to disclose) CSR information in a country (like Pakistan) where state institutions are not so strong or so effective. Further, according to Adams et al., 1998, studies examining the quantity and quality of CSR disclosure, and exploring its antecedents are considered necessary to improve the quantity and quality of CSR reporting in a country. Therefore this research aims:

to explore the quantity and quality of CSR disclosure **(Aim 1)** and to find out the determinants/motivations of CSR disclosure (non-disclosure), measured in both quantitative and qualitative ways, by Pakistani listed companies **(Aim 2)**.

To accomplish the first aim of this research, the researcher has developed a self-explanatory research question mentioned below.

What is the quantity and quality of CSR disclosure by Pakistani listed companies? **(RQ1)**

The answer to this question (RQ 1) will enable the researcher to determine the magnitude (extent of disclosure), level (number of issues reported) and quality of CSR disclosure made by listed companies of Pakistan. Further, this will enable the researcher to comment on to the extent to which CSR practices in general and CSR disclosure practices in particular in Pakistan are different from those in other developing countries. The answer to this research question will enhance our understanding of CSR disclosure practices within this specific developing country and respond to the call for more CSR disclosure studies in the context of developing countries (see Ghazali, 2007; Haji, 2013; Kansal et al., 2014). Further, it will also respond to the call for an empirical study examining the quality of CSR disclosure in a developing country (see Belal et al., 2013)

After determining the quantity and quality of CSR disclosure from the listed companies of Pakistan, the next step is to determine what really forces/motivates the disclosure (or non-disclosure) of CSR information in Pakistan. To answer this question, the researcher has further developed two research questions which will help in accomplishing the second aim of this research.

What are the determinants (observable) of CSR disclosure and its dimensions (measured in both quantitative and qualitative ways) by Pakistani listed companies? **(RQ2)**

What are the non-observable factors perceived to be influencing CSR disclosure by Pakistani listed companies? **(RQ3)**

There is a rationale for developing the two separate research questions (RQ2 and RQ3) related to factors influencing CSR disclosure. As we have already seen, previous disclosure researchers have determined factors influencing CSR (or

environmental) disclosure predominantly through indirect methods (i.e. content analysis) by establishing an apparent relationship between proxies of factors with CSR (or environmental) disclosure. Only a handful of studies, in both the developed and developing countries (see Table 3.1, 3.2 & 3.3), have used direct methods (i.e. interviews and questionnaires) to determine the factors influencing CSR disclosure. Therefore the researcher developed the two research questions (RQ2 and RQ3). Here RQ2 is meant to establish the apparent relationship between variables incorporated in this study and CSR disclosure to indirectly determine the factors influencing CSR disclosure.

CSR disclosure studies using the indirect approach to determine the factors influencing CSR disclosure have mainly focused on establishing the relationship of company characteristics (particularly size, industry, profitability etc.), general contextual factors (particularly socio-political context, ownership structure and creditors etc.) and internal contextual factors (particularly corporate governance structure) with CSR (or environmental) disclosure predominantly measured in the quantitative way in both the developed and developing countries (see Table 3.1, 3.2 & 3.3). These factors, in this research, are considered as observable factors because the proxies of these factors can easily be found from the corporate annual reports or other sources e.g. corporate websites. Further the previous disclosure studies, in both the developed and developing countries (see Table 3.1, 3.2 & 3.3), have paid limited attention to establishing normative institutions' (e.g. NGOs, CSR standard setting institutions, CSR forums and networks) empirical relationship with CSR disclosure. However there are a few studies, in developed countries, which show an association between environmental lobby groups' concerns for the environment and companies' environmental performance and between membership

of national programmes (i.e. clean industry) and sustainability reporting (see Deegan & Cordon, 1996; Perez-Batrez et al., 2012). It has been argued in the existing literature that normative institutions particularly NGOs (Islam & Deegan, 2008), accounting professions (Blowfield & Murray 2011), and academic institutions (Campbell, 2007) may influence companies' socially responsible behaviour. Further, the researchers (see Belal & Momin, 2009) have argued that non-governmental organizations which have been playing a role in the socio-economic development of a developing country may also play a role in promoting the CSR reporting agenda in that country. Thus due to the lack of empirical research on the relationship between CSR promoting institutions and CSR disclosure, this research tries to establish the relationship between corporate interaction with CSR promoting institutions and CSR disclosure along with other widely examined determinants. Further, previous studies examined the determinants of CSR (or environmental) disclosure and paid scant attention to other dimensions of CSR disclosure (see Table 3.1, 3.2 & 3.3). Therefore, under the second research question, the following research objectives can be set out.

1. To examine the association between visibility factors (proxied by corporate characteristics such as size, profitability, firm's industry, and multinational subsidiary) and CSR disclosure and its dimensions
2. To examine the association between ownership structures (i.e. institutional ownership, government ownership, foreign ownership, and creditors) and CSR disclosure and its dimensions
3. To examine the association between normative institutions (i.e. CSR frameworks and networks, WWF, CSR standard setting institutions, and PCP) and CSR disclosure and its dimensions

4. To examine the association between corporate governance practices and CSR disclosure and its dimensions

Thus answering the second research question will contribute to the literature on the determinants of CSR disclosure in general and its dimensions in particular in a developing country context i.e. Pakistan. Further, this research may show whether CSR reporting agenda in a developing is derived by CSR promoting institutions, along with other factors, in a developing country.

Similar to the first two research questions (RQ1 and RQ2), there is a rationale for the third research question.

What are the non-observable factors perceived to be influencing CSR disclosure by Pakistani listed companies? **(RQ3)**

Based on the results of previous disclosure studies (see Table 3.1, 3.2 & 3.3) companies may disclose CSR information to enhance corporate reputation (Adams, 2002; Belal & Owen, 2007; Momin & Parker, 2013), to win corporate awards (Kansal et al., 2014), to present a socially responsible image (O'Donovan, 2002) and to gain competitive advantage (Chih et al., 2010; Nikolaeva & Bicho, 2011). Despite the motivations for CSR disclosure, previous studies have shown reasons for the non-disclosure of CSR information in developing countries (see Table 3.3). Relying only on motivations of CSR disclosure may lead towards biased conclusions. Therefore, this research not only tries to know managers' attitude towards CSR disclosure and factors perceived important in the decision to disclose CSR information in a developing country but also investigates the reasons for non-disclosure of CSR information in a developing country. This research will respond to the call for research examining the reasons for limited or non-disclosure of CSR information in a

developing country context (see Belal & Momin, 2009). Therefore, under the third research question, the following research objectives were established.

1. To determine managers' attitude towards CSR disclosure
2. To determine factors considered important by the management in disclosing CSR information
3. To determine factors causing non-disclosure of CSR information in the annual reports

In summary answering the first research question (RQ1) will enable us to determine the quantity and quality of CSR disclosure and will help us in accomplishing the first aim of this research, while answering the last two research questions (RQ2 and RQ3) will enable us in determining the factors influencing CSR disclosure (or non-disclosure) in a developing country i.e. Pakistan and will help us in accomplishing the second aim of this research.

## **4. CHAPTER: THEORETICAL FRAMEWORK AND DETERMINANTS OF DISCLOSURE**

### **4.0 Introduction**

The first purpose of this chapter is to learn to what extent a particular theory explains CSR disclosure in a given country and to choose a particular theory or a combination of theories, which are more suitable for this research project. The second purpose is to build hypotheses related to the determinants (or observable factors) of CSR disclosure by using a selected theory or theories. This chapter has been organized as follows: the first section discusses legitimacy theory, stakeholder theory, and institutional theory and the selection of a theory (or theories) for this research. The second section formulates hypotheses on the determinants of CSR disclosure and the final section summarizes this chapter.

### **4.1 Theoretical framework**

In previous CSR disclosure research different theoretical perspectives such as agency theory (Belkaoui & Karpik, 1989), stakeholder theory (Cormier et al., 2005; Huang & Kung, 2010; Islam & Deegan, 2008; Roberts, 1992; Laan Smith et al., 2005), legitimacy theory (Cormier et al., 2005; Guthrie & Parker, 1989; Islam & Deegan, 2008; Neu et al., 1998; Newson & Deegan, 2002; O'Dwyer, 2002; Rahaman et al., 2004), accountability theory (Gray et al., 1995a), political economy theory (Amran & Devi, 2007), and neo institutional theory (Amran & Devi, 2008; Amran & Haniffa, 2011; Cormier et al., 2005; Islam & Deegan, 2008; Rahaman et al., 2004; Sobhani et al., 2011) were used to explain CSR disclosure and/or



determinants/motivations of 'CSR disclosure'. All of these theories have their own significance and practicality; and, in general, the use of particular theory depends upon its scope and the factors studied by the researcher. However, the widely used theories to explain CSR disclosure are legitimacy theory, stakeholder theory and institutional theory (see Deegan & Unerman, 2011; Islam & Deegan, 2008) and jointly called system oriented theories (Deegan & Unerman, 2011; Islam & Deegan, 2008) and are now discussed. These theories will be used to explain the results of this study. The reasons as to why the researcher has used the combination of three theories for this research are explained at the end of this section.

#### 4.1.1 Legitimacy Theory

Legitimacy theory is a widely used theory in social reporting and views the organization as a part of a broader social system, in which an organization is influenced by and has influence on other parties as part of the given social system (Islam & Deegan, 2008). Legitimacy is defined as:

*“a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions”* (Suchman, 1995 p.574).

It asserts that organizations attempt to ensure that they are perceived as operating within the norms and values of the respective society. These norms and values represent the expectations of the society. Legitimacy theory assumes that there is a social contract between a corporation and the society within which the corporation is operating (Reverte, 2009). The social contract is difficult to explain because it incorporates a multitude of explicit (codified norms and values) and implicit (non-

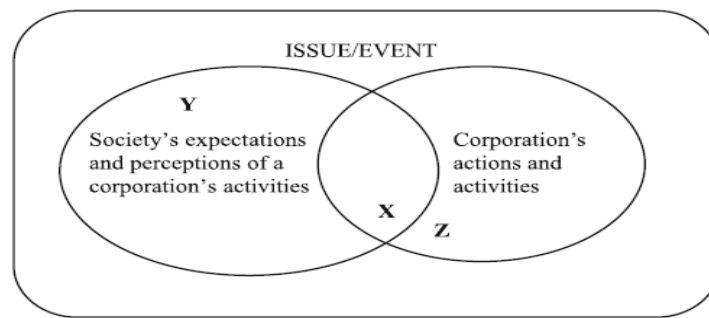
codified norms and values) expectations of the society (Shocker & Sethi, 1974 p.67). Moreover, the expectations of the society are not fixed but changing with the passage of time (Islam & Deegan, 2008). There are many factors such as increasing social awareness (Elsbach & Sutton, 1992), media influences (Ader, 1995 cited in O'Donovan, 2002), interest groups pressures (Tilt, 1994), corporate crisis (Marcus & Goodman, 1991), and the pressures from educational institutions, NGOs, and regulatory institutions (see Campbell, 2007) which are causing change in society's expectations. The changing expectations and needs (representing norms and values) of the society will bring changes in the terms and conditions of the social contract between corporations and society and thus the corporations will be required to change themselves accordingly in order to maintain legitimacy<sup>16</sup>. Lindblom (1994 p.3) explicitly stated that: *"Legitimacy is dynamic in that the relevant publics continuously evaluate corporate outputs, methods, and goals against an ever evolving expectation"*. From the above discussion it is clear that legitimacy is a socially constructed and dynamic concept that is time and place specific. It requires corporations to adjust their actions/activities/operations along the lines of ever evolving expectations of the society. It tells us that corporate behaviour considered acceptable today may or may not be acceptable tomorrow. It also tells us that corporate behaviour which is acceptable at one place (i.e. in one country) may or may not be acceptable at the other place at the same time.

Organizational legitimacy can be further understood through a diagram presented by O'Donovan (2002).

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<sup>16</sup> The corporations must change themselves with the changing expectations of the society (Shocker & Sethi, 1974 p. 1; Lindblom, 1994, p.3).

**Figure 4.1: Organizational Legitimacy**



Source: O'Donovan (2002)

The above diagram presents two circles: the first circle represents a corporation's activities and actions to a particular social event and an issue; and the second circle represents the society's expectations and perceptions of a corporation's activities related to the same issue and the event. In the above diagram, the areas have been marked X, Y and Z. Here X represents congruency between a corporation's activities/actions and the society's expectations about a corporation and its activities, while Y and Z areas show in-congruency between a corporation's activities/actions and the society's demands. In the above figure, areas Y and Z represent illegitimacy or legitimacy gap, while the area X represents legitimacy of the firm (O'Donovan 2002). It demonstrates that a legitimacy gap (or illegitimacy) occurs when perceptions about a corporation's activities/actions do not match the expectations of the society. This legitimacy gap is not constant because the relevant publics' expectations and/or perceptions about organizational activities may change.

*"The legitimacy gap will fluctuate without any changes in action on the part of the corporation. Indeed, as expectations of the relevant publics change the corporation must make changes or the legitimacy gap will*

*grow as the level of conflict increases and the levels of positive and passive support decreases” (Lindblom, 1994 p.3).*

This legitimacy gap can arise from the following reasons: 1) changing societal expectations, 2) the rate at which companies' change does not match with the pace of changing societal expectations, 3) companies' failure to disclose information about their activities to show that they are complying with the norms of the society, and 4) previously unknown unfavourable information becoming known to the public (Deegan & Unerman, 2011). These threats to organizational legitimacy are predicted to trigger responsive actions by corporate management to minimize the impact of the legitimacy threats (Islam & Deegan, 2008; Haniffa & Cooke, 2005). These actions, taken by the corporations, are considered to be part of a legitimization<sup>17</sup> process (Gray et al., 1995a; Haniffa & Cooke, 2005). Lindblom (1994) has introduced four legitimating strategies that can be used by an organization when it perceives some threats to its legitimacy. Firstly, an organization can educate and inform about the changes made in its practices and performance to meet the expectations of the relevant public. Secondly, an organization can change the relevant public's perception about its activities and performance without making any changes in the actual behaviour. Thirdly, an organization can deflect the relevant public's attention from the issue of concern to another issue. Lastly, an organization can change the relevant public's expectations by demonstrating that particular public expectations are not reasonable. These legitimating strategies can be used by a firm to gain, maintain, and repair legitimacy (Suchman, 1995). Dowling and Pfeffer (1975) highlighted three modes of actions taken by a firm to ensure its continued legitimacy:

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<sup>17</sup> There is difference between legitimacy and legitimization: legitimacy is “a condition or status which exists when an entity's value system is congruent with the value system of the larger social system of which the entity is a part” (Lindblom, 1994, p.2), while legitimization is a process that leads an organization to be adjudged legitimate (Islam & Deegan, 2008).

first adapt output, goals, and methods of operations to conform to a prevailing definition of legitimacy; second, alter the definition of social legitimacy through communication in order to conform to an organization's present practices; and third, identify with symbols, values, or institutions which have strong bases for legitimacy through communication. Haniffa and Cooke (2005) linked Lindblom's (1994) legitimating strategies and Dowling and Pfeffer (1975)' proposed actions in the legitimacy theoretical framework and is illustrated in Figure 4.2. Moreover, the adoption of a particular legitimation strategy depends upon managers' feeling of their proximity to legitimacy gap (Gray et al., 1995a; Haniffa & Cooke, 2005).

**Figure 4.2: Link between Lindblom's legitimation strategies and Dowling and Pfeffer's legitimation**

Legitimacy theory				
Strategy	Educate society of changes in organisation's actions	Alter society's perceptions of the organisation	Alter society's expectations of the organisation	Divert society's attention away from issues of concern
	↓	↓	↓	↓
Action	Adapt outputs, goals and methods of operations to conform to prevailing definitions of legitimacy	Through communication, alter definitions of social legitimacy so as to conform to present practices, outputs and values	Through communication, alter definitions of social legitimacy so as to conform to present practices, outputs and values	Through communication, try to become identified with symbols, values or institutions which have strong base of social legitimacy

Source: Haniffa and Cooke (2005)

From the above discussion it is demonstrated that the adoption of each strategy requires a corporation to communicate with the relevant public. CSR disclosure can be employed by corporate managers in each of the legitimation strategies (Gray et al., 1995a; Lindblom, 1994) targeted to gain, maintain, or repair legitimacy (Suchman, 1995). In this context, CSR disclosure appears to be a tool that

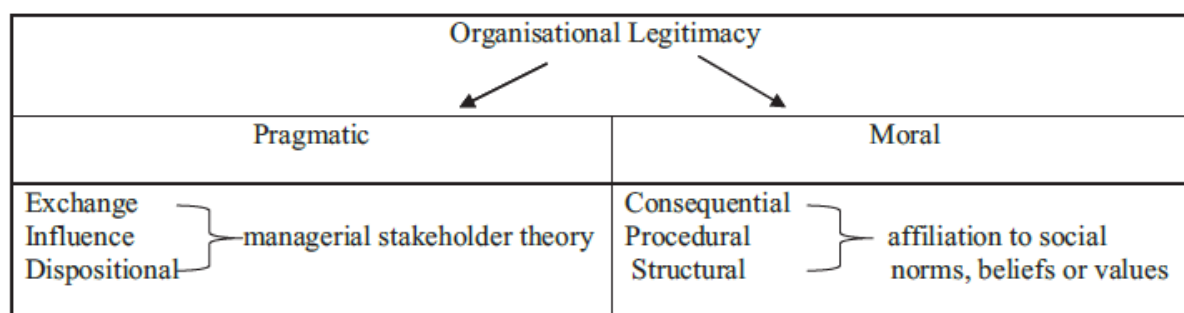
companies could use to act, or to be seen to act, according to the society's expectations (see Branco & Rodrigues, 2008). This disclosure can be symbolic and substantive in nature (Ashforth & Gibbs, 1990). Within legitimacy theory, legitimacy is considered to be a resource upon which the survival of the organization is dependent (Dowling & Pfeffer, 1975; Islam & Deegan, 2008; Mahadeo et al., 2011; O'Donovan, 2002; Suchman, 1995). This resource is bestowed by the society to an organization (Islam & Deegan, 2008) and organizations are able to impact and manipulate this resource through various disclosure strategies (Woodward, Edwards, & Birkin, 1996) as mentioned above. Furthermore, CSR disclosure can be used either in a defensive way in response to a legitimacy threat or in a proactive way to be recognised as a socially conscious company (see O'Dwyer, 2002).

This discussion of legitimacy theory focused on overall expectations of the society in explaining CSR disclosure and how an organization can ensure legitimacy status within the society. This will help a reader in understanding overall CSR disclosure rather than specific information disclosed by a corporation such as adoption of codes of conduct, membership of CSR promoting bodies, quality control department in the firm, and a CSR department in the company.

To understand the specific types of disclosure by a firm, it may be better to understand the concept of legitimacy in detail. Legitimacy can be understood in detail from a study by Suchman (1995) which identified three types of legitimacy: pragmatic legitimacy, moral legitimacy and cognitive legitimacy. Pragmatic legitimacy rests on the self-interested calculations of an organization's most immediate audience and immediate audience involved in a direct exchange with an organization. According to Clarkson (1995) customers, suppliers, employees, and

local group (the government and the local communities) are involved in transactions with the firm and therefore these groups can be considered as a firm's immediate audience. An example of pragmatic legitimacy can be found from the empirical literature about CSR disclosure in which companies listed in Mauritius disclosed relatively less environment related information than other CSR disclosure themes due to lower level of interest of immediate audience in the environment related information (see Mahadeo et al., 2011). To further explain pragmatic legitimacy, Suchman (1995) discussed sub-concepts: exchange legitimacy (in which an organization supports an organizational policy based on its expected value to its particular audience), influential legitimacy (in which an organization responds to its audiences' interests), and dispositional legitimacy (in which an organization affiliates with its audiences' values). Mahadeo et al. (2011b) argue that CSR disclosure containing information about the exchange between an organization and its audience, the acceptance of audiences' values, and/or the adoption of audiences' agenda, can be seen as a means of pursuing pragmatic legitimacy. This pragmatic legitimacy overlaps with the managerial branch of stakeholder theory (Mahadeo et al., 2011b) because according to pragmatic legitimacy an organization considers the interests of the immediate audience, which are considered powerful (or important) stakeholders in stakeholder theory (this theory will be discussed in detail in the following section). However, this overlap between stakeholder theory and legitimacy theory can be better predicted through the diagram (see Figure 4.3).

Figure 4.3: Overlap between stakeholder and legitimacy theory



Source: Mahadeo et al. (2011b)

Moral legitimacy relies on managerial judgment that organizational activities are “the right thing to do” or promoting societal welfare (Mahadeo et al., 2011b; Suchman, 1995). In order to secure moral legitimacy, companies disclose pro-social activities and/or show their alliance with social imperatives e.g. alleviation of poverty, health and safety etc. (Mahadeo et al., 2011b). This point can be supported by some empirical evidence from a disclosure study of companies listed in Mauritius by Mahadeo et al. (2011). In this study it was found that the sampled companies spent 21% of word counted in describing employees’ health and safety related activities; and argued that companies might have been attempting, by communicating employees’ health and safety information, to be seen as doing the right thing e.g. taking care of employees (moral legitimacy). To explain moral legitimacy in detail Suchman (1995) discusses its sub-constructs: consequential legitimacy (judgement based on what an organization has accomplished e.g. amount of donations, amount of pollution reduced, amount of waste handled, reduction in health and safety accidents), procedural legitimacy (based on embraced socially accepted techniques and procedures e.g. adopting best practices to help the needy, ISO 14000, and ISO 9000 etc.), and structural legitimacy (based on presence of morally accepted structural characteristics e.g. CSR department, CSR committee, and quality control department etc.). The third form of legitimacy is not based on interest or evaluation



but based on managers' cognition. Mauritian-listed companies' ethical disclosure (e.g. adopting code of conduct) is an attempt to gain cognitive legitimacy by conforming to the established standards and models of ethics (Mahadeo et al., 2011).

There are numerous social and environmental disclosure studies which have used legitimacy theory. Of these a significant number of studies have found that legitimacy theory has explanatory power relating to social and environmental disclosure (see Deegan, Rankin, & Tobin, 2002; Haniffa & Cooke, 2005; Islam & Deegan, 2008; Mahadeo et al., 2011; O'Donovan, 2002; Patten, 1991; Patten, 1992; Reverte, 2009). Patten (1992) conducted an environmental disclosure study of petroleum firms, other than Exxon, after Exxon oil spill, and found a significant increase in petroleum companies' environmental disclosure and viewed environmental disclosure as a method to respond to the expectations of the relevant public. Similarly, Deegan et al. (2002) examined social and environmental disclosure of BHP, an Australian company, and found a positive correlation between community concerns for social issues (measured by media attention) and BHP Ltd's social and environmental performance. Another social disclosure study was conducted by Patten (1991) by conducting a regression analysis of 126 firms, in which the variable of 'public pressure' (measured by company size and industry) was found to be related to social disclosure. Haniffa and Cooke (2005) conducted a study to check the culture and the corporate governance impact on CSR disclosure and they found a significant relationship of the culture (proxied by Malay directors on board) and the corporate governance (proxied by dominance of executive directors on board and chairman with multiple directorships) with CSR disclosure in Malaysia. They also conducted semi-structured interviews with senior executives to find reasons underlying CSR

disclosure, and found that corporate reputation, government support, and getting corporate awards (recognition) were reasons for CSR disclosure. A study was conducted to establish the determinants of corporate social reporting by Spanish listed companies by using three theories (legitimacy, stakeholder and agency theory) and found a significant positive relationship of large size, media exposure, and industry sensitivity (proxies of social visibility) with higher corporate social reporting rating and revealed that legitimacy theory is a more relevant theory for explaining CSR disclosure in Spain (Reverte, 2009). Mahadeo et al. (2011) conducted a study to establish company characteristic's relationship with CSR disclosure and its dimensions and they found a significant positive relationship of company size with CSR disclosure and social disclosure (a dimension of CSR). They also found a significant positive relationship between company leverage and environment disclosure and health and safety disclosure. They argued that lower level of environmental disclosure, presence of ethical disclosure, and the existence of health and safety disclosures are seen as an attempt to gain pragmatic legitimacy, cognitive legitimacy, and moral legitimacy respectively. O'Donovan (2002) conducted semi-structured interviews with senior executives in Australian firms based on scenarios and found that disclosure is expected when there is a perceived legitimacy threat and disclosure is not expected when the perceived legitimacy threat is minimal and thus provided support for explanatory power of legitimacy theory to explain environmental disclosure. Islam and Deegan (2008) interviewed senior executives at BGMEA (Bangladesh Garment Manufacturers and Exporters Association) and found that CSR policies and disclosure practices of BGMEA are influenced by global expectations. Thus there are many studies which provide support for legitimacy theory to explain disclosure of social and environmental information. However, there

are some studies, which have questioned the explanatory power of legitimacy theory to explain corporate social disclosure (see O'Dwyer, 2002; Campbell et al., 2003). O'Dwyer (2002) conducted 27 semi-structured interviews with Irish publicly listed companies and partially supported legitimacy theory by arguing that the goal of CSR disclosure is to influence the public opinion in a proactive way (to be recognised as socially conscious company) or in a reactive way (to regain perceived loss of legitimacy). He further stated that CSR disclosure can be part of legitimisation process but he questioned capability of CSR disclosure to achieve the legitimacy status and highlighted that the existence of CSR disclosure in the interviewed companies may be due to motives that lie outside the legitimacy theory. Campbell et al. (2003) complemented the above finding by showing that some UK based companies, having a negative reputation (i.e. threat to legitimacy), did not disclose information. It indicated that there were some other factors which affected CSR disclosure.

It is evident from the above discussion that legitimacy theory not only incorporates the expectations of the society as a whole but also incorporates the expectations of the groups within society (see pragmatic legitimacy). Moreover, many authors have supported the explanatory power of legitimacy theory to explain CSR disclosure practice while some authors have questioned the explanatory powers of legitimacy theory and have argued that there are some factors which are beyond the scope of legitimacy theory. Moreover this theory fails to deal with contradictory and disparate expectations of the groups within society. So there is a need to discuss another theory, stakeholder theory, which provides mechanism to handle these groups' contradictory expectations.

#### 4.1.2 Stakeholder Theory (Managerial Branch)

Stakeholder theory also assumes that corporations are part of a broader social system (Islam & Deegn, 2008). Stakeholder theory is based on the assumption that corporations' survival depends upon various stakeholders' continuous cooperation. The term 'stakeholder' (used in stakeholder theory) has been defined as: *“any group or individual who can affect or is affected by the achievement of the organization's objectives”* (Freeman, 1984 p.46). This is a very broad definition and according to this definition various individuals and groups such as shareholders, employees, creditors, government, customers, media, employees' family, local communities, charity organizations, and future generations would be considered as a firm's stakeholders. Later, clarity to stakeholder's definition was provided by Clarkson (1995) by dividing stakeholders into two groups: primary (those which make transactions with a firm and whose cooperation is necessary for the firm's survival) and secondary stakeholders' group (those who affect/influence or can be affected/influenced by a corporation but do not make transactions with the firm). According to this classification, shareholders, employees, creditors, customers, and the public stakeholder groups (e.g. the government and the local community) are considered to be primary stakeholders, while the remaining groups (e.g. the media and other special interest groups) can be considered as secondary stakeholders (Clarkson, 1995). This theory recognises the fact that most organizations, if not all, have obligations and responsibilities, contrary to the shareholder wealth maximization view, to a large number of stakeholders (Sweeney & Coughlan, 2008). Moreover this theory emphasizes the need to balance the interest of various stakeholders to enhance and maintain their support (Reynolds et al., 2006).

Similarly, Clarkson (1995) has argued that a corporation's success or survival depends upon its managers' ability to satisfy members of each stakeholder group so that each group may continue its support to the firm. According to Neville and Menguc (2006) stakeholders' claims may be conflicting, complimentary, and cooperative. It appears difficult for the managers to satisfy all stakeholders' conflicting interests.

The stakeholders can vary in their importance to a firm. Stakeholder theory, when used as managerial tool, specifically focuses on the identification of the important stakeholders to the firm so that management may give more attention to them. Under this perspective, a corporation's management will identify its stakeholders based on its belief about the nature of relationship with them.

*“the stakeholders are identified by the organisation of concern, by reference to the extent to which the organisation believes the interplay with each group needs to be managed in order to further the interests of the organisation. (The interests of the organisation need not be restricted to conventional profit-seeking assumptions) (Gray et al., 1996 p.45).*

The importance of a stakeholder can be determined on the bases of three attributes: 1) power (the extent of a stakeholder's influence on the organization), 2) legitimacy (the congruency of a stakeholder's demands with society's demands), and 3) urgency (the extent to which a stakeholder's demands require immediate organizational attention) of a stakeholder (Mitchell et al., 1997). The power of a stakeholder depends upon the degree of control they hold over firms' resources (critical to the survival of the firm) (Ullmann 1985), the stakeholder's access to influential media, their ability to legislate against the company, and their ability to

influence the consumption of goods and services of the firm (see Deegan & Unerman, 2011). The attributes of a stakeholder, in recent years, have become increasingly popular and help managers in allocating their limited time, efforts, and scarce resources to various stakeholders (Phillips, 2004). These attributes, in various combinations, are indicators of whether management's attention will be awarded to be particular stakeholder (Mitchell et al., 1997). These attributes, in summary, determine the importance of a stakeholder to a firm and the corporation may give considerable value to a stakeholder considered salient by the corporation and try to satisfy their claims. Gray et al. (1996) argued that the more important a stakeholder is to the firm, according to this theory, the greater the possibility that stakeholder's expectations to be satisfied. An important point to mention here is that a stakeholder's attributes: power, legitimacy, and urgency are variable and socially constructed (Mitchell et al., 1997). So a stakeholder considered salient by the corporation today may or may not be salient tomorrow.

Relating to CSR disclosure, under this theory, a company can use social disclosure as a strategy to manage (or manipulate) its relationships with stakeholders.

*"Social responsibility activities are useful in developing and maintaining satisfactory relationships with stockholders, creditors, and political bodies. Developing a corporate reputation as being socially responsible, through performing and disclosing social responsibility activities, is part of a strategic plan for managing stakeholder relationships"(Roberts, 1992, p.599).*

Gray et al. (1996) also supported Roberts (1992) point of view about social disclosure by saying that:

*“Information is a major element that can be employed by the organisation to manage (or manipulate) the stakeholder in order to gain their support and approval, or to distract their opposition and disapproval” (Gray et al., 1996 p.45).*

Several researchers have used managerial stakeholder theory to explain companies' CSR disclosure. Neu et al (1998) conducted a study of Canadian publicly listed companies operating in an environmentally sensitive sector i.e. forestry, mineral extraction, chemical, and the oil and gas industry to check the influence of external pressures on the companies' environmental disclosure, and the disclosure was found to be more related to the government and to the financial stakeholders than to the concerns of environmentalists. Similarly, another study was conducted by Islam and Deegan (2008) to explore motivations, through interviews with executives, of BGMEA to disclose its social and environmental performance and found that BGMEA adopted social policies and their respective disclosures due to international buyers' pressures. Similarly, Tagesson et al. (2009) conducted a study to identify the determinants of Swedish companies' environmental disclosure and found that state owned companies disclosed more environmental information than privately owned firms because the state was considered to be a more powerful stakeholder of the firm. In light of the above mentioned empirical studies, CSR information can be disclosed by the corporations to conform to expectations of the (particularly powerful) stakeholders.

It is evident from the above discussion that stakeholder theory considers the world or a given phenomenon from management's perspective only. However, this theory fails to incorporate institutional contexts where the firm is operating, which can

influence companies CSR disclosure decisions. That's why there is a need to discuss another theory, namely 'institutional theory', which incorporates the role of various institutions (in more detail), operating in the environment where the firm is operating.

#### 4.1.3 Institutional Theory

Institutional (or neo institutional) theory, developed from organizational theory in the late 1970s (see DiMaggio & Powell, 1983; Powell & DiMaggio, 1991; Meyer & Rowan, 1977), also views the organization as a part of broader social system and is also applied in the social and environmental disclosure literature (see Amran & Devi, 2008; Muthuri & Gilbert, 2011; Sobhani et al., 2011; Amarn & Haniffa, 2011; Matten & Moon, 2008; Joseph & Tablin, 2011; Jamali & Naville, 2011). In general, institutional theory focuses on why organizations tend to become similar (in social and environment disclosure) to the other firms operating in the same organizational field<sup>18</sup> (DiMaggio & Powell, 1983). In particular, institutional theory emphasizes various institutions: regulatory, normative, and cognitive institutions, which can place coercive, normative, or mimetic pressure on the firms to become similar (i.e. to adopt social and environment disclosure) to other firms operating in the same field (or the institutional environment). Various types of institutions and pressures, mentioned above, are now discussed. Institutions are social constructs and referred to as formal rules, cultural, cognitive, and routine processes which are taken for granted and which enable or constrain a corporation to adopt particular practices e.g. 'CSR disclosure'.

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<sup>18</sup> "The centre of dialogue and interaction, through which a diverse range of institutions come to bear on field participants, and influence common organizational behaviours and their rationality" (Bebington et al., 2009, p.593).



Institutions are defined as *“formal rules and taken-for-granted cultural frameworks, cognitive schema, and routinized processes of reproduction; and assumes that actors are motivated more by a logic of appropriateness whereby action is constrained and enabled by cultural frames, schema, and routines”* (Campbell, 2006, p.926).

Institutions provide the logic of appropriateness for a particular behaviour of a firm and institutions can be of three types: regulatory, normative, and cognitive (Scott, 2001). Regulatory institutions include rules and regulations set by the state (referred to as hard rules) and those set by industry associations (referred to as soft rules) (Campbell, 2007; Marquis, Glynn, & Davis, 2007). Hard rules can exert coercive pressure on the firm to adopt particular structures and practices, while soft rules are voluntary to adhere. Hence the corporations operating in the environment where stringent regulations are active will more likely to act in a socially responsible way. In terms of CSR disclosure, if stringent regulations related to social and environment responsibility exist in the institutional environment where the firm is operating, the company may disclose CSR information in order to comply with those (government and industry) rules.

Normative institutions set the values and norms, which define the appropriate behaviour of a firm. ‘Values’ are *“what is desirable/socially acceptable to pursue”*, while ‘norms’ are *“desirable ways of acting and being”* (Bebbington et al., 2009). Marquis et al. (2007) further explained the norms and values of the society as the rules of a game i.e. *“what is right to do around here”*. These rules of the game are decided by various actors of the society such as NGOs, media, educational institutions, professional associations, and other social movement organizations

(Muthuri & Gilbert, 2011), which set the standards for appropriate corporate socially responsible behaviour. In the case of CSR disclosure, in an environment where normative institutional actors are very active, companies may disclose information in order to conform with normative institutional actors' (e.g. NGOs and WWF) expectations/demands to gain the normative status. Normative institutions slightly overlap with the moral form of legitimacy, which rests on managerial judgement about whether the activity is "the right thing to do" (Suchman, 1995). This judgment usually reflects belief about whether the activity effectively promotes societal welfare, as defined by the socially constructed value system (Suchman, 1995). Normative institutions actually contribute to defining the socially responsible behaviour (what is right to do around here) of the firm. Thus it overlaps with moral legitimacy.

Cognitive institutions are very subtle and difficult to detect (Bebbington et al., 2009). Cognitive elements include cultural values, identities, and ideologies (Muthuri & Gilbert, 2011), and understanding of these cultural values, ideologies, and identities depend upon managers' understanding. According to this perspective, corporations' definition of social responsibility depends upon managers' perception of these cognitive schemas. Further, cognitive frameworks include common or shared meanings for corporations' socially responsible behaviour (Muthuri & Gilbert, 2011). For example: corporations supported or built mosques in Bangladesh as a social issue because the local community identified with these religious artefacts (Sobhani et al., 2009). This institution slightly overlaps with cognitive legitimacy, which also rests on cultural frameworks (see Suchman, 1995).

These regulatory, normative, and cognitive institutions can create isomorphic pressure for the corporations to disclose their CSR information. Isomorphism is the

process by which one unit of the population tries to become similar to other units of the population operating in the same environment (DiMaggio & Powell, 1983). Similarly, Dillard et al., (2004) referred to isomorphism as the adaptation of institutional practices by an organization. This isomorphic pressure can be of three types: coercive, normative, and mimetic and can be created by regulatory, normative or cognitive institutions operating in the institutional environment, where the corporation is operating (DiMaggio & Powell, 1983). Coercive isomorphism refers to organizations' adoption of particular structures/procedures or practices in response to pressures of powerful stakeholders such as government, institutional investors, and the media, which create either formal or informal pressure for the firm (DiMaggio & Powell, 1983). These pressures may force, persuade or invite a firm to join a particular practice (DiMaggio & Powell, 1983).

*“Coercive Isomorphism results from both formal and informal pressures exerted on organizations by other organizations upon which they are dependent and by cultural expectations in the society within which organizations function. Such pressures may be felt as force, as persuasive, or as invitations to join in collusion” (DiMaggio & Powell, 1983, P.150).*

This coercive isomorphism can be linked to the managerial branch of stakeholder theory, according to which companies disclose information in order to conform to the expectations of powerful stakeholders such as government, shareholders and employees (see Section 3.2.2). There are some disclosure studies in which companies disclosed information in response to coercive pressure from powerful stakeholders (Rahaman et al., 2004; Amran & Devi, 2008). A study was conducted

by Rahaman et al. (2004) in which Volta River Authority (VRA), a Ghanaian company, disclosed environmental information in order to comply with the requirements of The World Bank (coercive pressure). Similarly a CSR disclosure study conducted by Amran and Devi (2008) found that Malaysian companies disclosed CSR information due to pressure from the government regulatory institution (coercive pressure).

Normative isomorphism refers to organizations' adoption of procedures/structures or practices due to the process of professionalization and socialization to get normative status (DiMaggio & Powell, 1983). Professionalism has been interpreted in DiMaggio and Powell (1983) as

*“Collective struggle of members of an occupation to define the conditions and methods of their work to control the production of producers (Larson, 1977: 49-52), and to establish a cognitive base and legitimation for their occupational autonomy” (p.152).*

There are three sources of normative isomorphism: educational institutions (providing formal education), professional networks (providing formal trainings to professionals), and trade associations (developing normative rules for organizations), which shape the behaviour of professional managers and staff (DiMaggio and Powell, 1983). This point was complemented by Amran and Devi (2008), by stating that professional education and professional networks are two factors of professionalism, which create normative pressure on the professionals to adopt a particular practice. This sort of pressures can arise from NGOs (i.e. ILO,

WWF, and WHO), educational institutions and social movements<sup>19</sup>. Corporations can adopt certain activities such as treating employees fairly, training and educating employees, carrying out flood relief efforts, donating funds, sponsoring events, building schools and colleges, treating waste properly, and handling emissions voluntarily in order to achieve a normative status by meeting prevailing normative standards (normative isomorphism). There is a study, not directly related to disclosure, that shows how normative institutions influence managers behaviour. In this study students (who were taught multi-divisional models of organizations as conventional wisdom at elite business schools) adopted multidivisional forms of organization after becoming CEOs (Palmer et al., 1993). This shows that the normative type of institutions may change behaviour of executives who interact with normative institutions. In addition to the above, a sustainability reporting study was conducted by Perez-Batres et al. (2012) in which Mexican local companies which belonged to national sustainability programs (normative institution) were found to be significantly positively related to sustainability reporting. This suggests that corporate executives, members of professional bodies promoting responsible practices, may change their behaviour and disclose CSR information to conform to normative institutional actors' expectations.

The third form of isomorphism is mimetic isomorphism in which organizations imitate the procedures/structures or practices of another successful organization due to uncertainty in the institutional environment. DiMaggio and Powell (1983, p.151) stated that:

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<sup>19</sup> A campaign to abolish dengue virus from Pakistan OR a campaign to raise funds to help the flood affecties in Pakistan

*“Not all institutional isomorphism, however, derive from coercive authority. Uncertainty is also a powerful force that encourages imitation. When organizational technologies are poorly understood (March and Olsen, 1976), when goals are ambiguous, or when the environment creates symbolic uncertainty, organizations may model themselves on other organizations” (DiMaggio and Powell, 1983, P.151).*

Mimetic isomorphism also has ritual aspects (DiMaggio and Powell, 1983), in which organizations try to copy the practices which are considered legitimate.

*“Developments also have a ritual aspect; companies adopt these “innovations” to enhance their legitimacy, demonstrate they are at least trying to improve working conditions” (DiMaggio and Powell, 1983, P.151).*

In mimetic isomorphism, the industrial or institutional environment itself can be the factors of mimetic isomorphism. In other words industry peers or competitors' pressures may results in mimicry of practices (i.e. CSR disclosure). This is supported by the study conducted by Gray and Bebbington (2000) which shows that the adoption of environmental reporting is partially caused by industry and country of residence. In terms of CSR disclosure practice, companies may disclose CSR information due to industry peers or competitors' pressures in order to look similar to them.

It has been clearly mentioned in the literature that isomorphism does not have any effect on the efficiency of the organization, but it brings some indirect benefits such as attracting employees, gaining reputation, and others (DiMaggio and Powell, 1983). This point was also complemented by Carpenter and Freeze (2001), who stated that organizations usually adopt practices for legitimacy purposes rather than

for their actual usefulness of practices. From the previous discussion of institutions and isomorphic processes, it can be expected that different institutions (i.e. regulatory, normative, and cognitive) can exert any type of pressure: coercive, normative, or mimetic that may force, persuade, or invite the organizations to adopt particular structures/procedures or practices in order to look similar to other firms operating in the same environment. According to DiMaggio and Powell (1983) two or more pressures can occur at the same time and it is impossible to distinguish between these types of pressures. The inseparability of isomorphic pressures was also supported by Unerman and Bannett (2004 cited in Deegan and Unerman, 2011). Thus different institutional settings (i.e. regulatory, normative, and cognitive institutions) affect the relationship between the corporation and its stakeholders (DiMaggio & Powell, 1983; Marquis et al., 2007; Oh et al., 2011). In other words, the way a corporation treats its stakeholders depends upon the presence of effective institutions in the environment where the corporation is operating. Here the term 'stakeholders' refer to individuals and groups such as employees, customers, the environment, and local communities, with which the corporation interacts and who have 'stake' or vested interests in the corporation.

Apart from isomorphic pressures, institutional theory also introduces a decoupling perspective. 'Decoupling' refers to the situation in which the actual practices of an organization differs from the apparent/formal (or externally presented) practices of the same company (Dillard et al., 2004). The company, which is decoupling its actual practices may set vague goals and/or portray ceremonial inspection and evaluation of the company to show conformity with legitimated standards (Kury, 2007). This decoupling perspective of institutional theory can be linked to the legitimacy theory, in which a company can use social and environmental disclosures (an apparent

practice) to change public perception in order to be known as a socially and environmentally responsible company, without making any change in actual behaviour/practice. This shows that institutional theory overlaps with legitimacy theory. In the case of CSR disclosure practice, the decoupling behaviour of a corporation can be shown by examining or evaluating the corporation's actual practices and its (social and environment) disclosure, but this is not the aim of this research. Therefore the decoupling perspective is considered irrelevant here.

As far as the level of analysis is concerned, institutional theory can be applied at three different levels: national (Matten & Moon, 2008), industry (DiMaggio & Powell, 1983), and issues level (Hoffman, 1999 cited in Bebbington et al., 2009; Wooten and Hoffman 2008 cited in Jamali & Neville, 2011; Mezias, 1990). The national level field incorporates the broader (macro level) institutional environment and includes political systems, financial systems, education and labour systems, and cultural systems, which can affect the corporation to adopt particular CSR practice (e.g. implicit or explicit CSR) (Jamali & Neville, 2011; Matten & Moon, 2008). The industry field, also referred to as the organizational field, incorporates all organizations which have similar products and services and also includes other form of organizations such as resource providers, competitors, business partners (DiMaggio & Powell, 1983), industry associations, NGOs, and government bodies who interact more frequently and faithfully with one another in the field than actors outside the field (Powell and DiMaggio, 1991 cited in Bebbington et al., 2009) who can influence firms performance. Apart from the above, the field can also be formed around issues rather than industry (Hoffman, 1999 cited in Bebbington et al., 2009; Wooten and Hoffman 2008 cited in Jamali & Neville, 2011; Mezias, 1990) and nation level field (Matten and Moon, Campell, 2007) because sometimes companies adopt particular



practices i.e. philanthropy or staff development and training due to social pressures rather than due to prevailing practices in the industry (Mezias, 1990). Here (in this study) the field is formed around the national (i.e. Pakistani) context and activities practiced/adopted/portrayed by companies are not limited to the industry or the issue level (e.g. environment protection is an international issue). I personally think that the incorporation/adoption/portrayal of a particular activity depends upon a firm's characteristics and its relevant public. The focus of companies on a particular activity may change with the passage of time as organizations can influence the national (institutional) environment and also be influenced by the environment.

A discussion shall now be presented about why change occurs in practices and procedures of organizations. Institutional theory provided a sophisticated explanation for the change in companies' social disclosure. According to Tuttle and Dillard (2007) companies disclose information in order to conform with powerful stakeholders and to get legitimacy from members of the organizational field. Further, new organizational activity develops in the field when an organization tries to improve its performance or to survive in an uncertain situation and this activity becomes institutionalized (legitimate practice) when adopted by other members of the same field (cited in Bebbington et al., 2009). New practice also arises, when a new firm enters the field and introduces a practice from other context, which becomes institutionalized if accepted by other members of field (Bebbington et al., 2009). Multinational companies can be considered the best example of this and can be a good source of the introduction of new practice/activity in one country from the other country. Multinational companies face a multitude of institutional pressures which can arise from home country institutions and host country institutions (Jamali and Naville, 2011). Multinational companies face more pressures (across countries) than

local companies. This point was complemented by a study conducted in Lebanon which showed a substantial difference between CSR practices of multinational subsidiaries (MNSs) and SMEs (Jamali and Naville, 2011). This might have happened because the two types (MNSs and SMEs) of firms faced different institutional pressures.

To summarise the above discussion, the institutional theoretical perspective focuses on the relationship between an organization and its environment comprises three types of institutions: regulatory, normative, and cognitive that can create three types of isomorphic pressures: coercive, normative, and mimetic for the firm to adopt a particular practice in order to be recognised as legitimate company. Relating this to CSR disclosure practice, companies can disclose CSR information in response to coercive, normative, and mimetic pressures resulting from the regulatory, normative, or cognitive institutions of the country where the firm is operating in order to conform to institutional actors' demands/expectations. Until this point we have been discussing the explanations of theories and studies using a particular theory. The next section discusses the rationale for choosing a combination of theories: legitimacy, stakeholder, and institutional theory in this research.

#### **4.1.4 Why a Combination of Three Theories**

It can be seen from the above discussion that the three theories are likely to provide slightly overlapping and complementary perspectives<sup>20</sup> explaining CSR disclosure. Legitimacy theory focuses on society's expectation and according to this perspective CSR information can be disclosed by the firm in an attempt to align its social

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<sup>20</sup> This point was also argued by Islam and Deegan (2008) and Deegan and Unerman (2011)

performance with the society's expectations in order to legitimize its continued existence. The managerial perspective of stakeholder theory focuses on expectations/demands of powerful stakeholders and according to this perspective, CSR information can be disclosed to gain and maintain the support of powerful stakeholders, as identified by the company's management, to ensure its continuous survival. On the other hand, Institutional theory focuses on organizational practices/forms (i.e. CSR reporting, employees' training, and building schools) which are considered legitimate in the institutional environment and can be adopted by the firm, in response to coercive, normative, and mimetic pressures resulting from the regulatory, normative, or cognitive institutions of the country, in order to look similar to other firms operating in the same environment. Moreover institutional theory, considers pressures external to the firm (i.e. regulatory, normative, and cognitive institutions), while stakeholder theory considers factors both internal and external to the firm in disclosing CSR information. Thus, it can be argued that joint consideration of these three theories will provide a comprehensive perspective for explaining CSR disclosures and its determinants in Pakistan.

This proposed multi-tier theoretical framework views CSR disclosure of a firm as a reflection of a firm's responsiveness to different levels of pressures.

1. Broadest level: society's social and environmental concerns [explained by legitimacy theory which considers the expectations of society as whole]
2. Intermediate level: institutional constraints and processes [can be firm or industry or country, or issue specific as explained by institutional theory which focuses on institutional practices e.g. corporate code of conduct or CSR reporting practices considered legitimate in the institutional environment].

3. Immediate level: stakeholders' (i.e. shareholders, creditors, customers, employees, government, and board of directors) pressures [explained stakeholder theory which considers the expectations and demands of stakeholders both externally and internally to the firm and legitimacy theory, particularly the pragmatic form of legitimacy, which rests on the self-interested calculations of the immediate audience of the firm].

Thus considering multiple theoretical perspectives will enrich our reasoning for CSR disclosure. Combining different theories is consistent with the suggestions of CSR disclosure researchers such as Gray et al. (1995), Deegan and Unerman (2008), and Deegan and Unerman (2011), who argued that legitimacy, stakeholder, and institutional theories are complementary in nature. Moreover, the joint usage of these theories is also consistent with previous disclosure studies (see Islam and Deegan, 2008; Cormier et al., 2005). Islam and Deegan (2008) jointly used legitimacy theory, stakeholder theory, and institutional theory to explain CSR disclosure practices of BGMEA in Bangladesh. Cormier et al. (2005) combined these theories to explain determinants of the environmental disclosure quality of German companies. These theories are, now, applied to build hypotheses related to the determinants of CSR disclosure.

## **4.2 Determinants of CSR Disclosure**

Previous CSR disclosure studies have identified different determinants of CSR disclosure and Adams (2002) has grouped them into three groups: 1) company characteristics, 2) general contextual factors, and 3) internal contextual factors, which will serve as a guide for this research. These determinants will help the researcher in answering the second research question: 'what are the determinants

(observable) of CSR Disclosure (measured in quantitative and qualitative ways) by Pakistani listed companies?’

#### 4.2.1 Social Visibility (Company Characteristics)

Social visibility is the extent to which a company is known to the public and company characteristics such as large profits, large firm size, industry’s environmental sensitivity (see Patten, 1992; Hackston and Milne, 1996; Reverte, 2009; Branco and Rodrigues, 2008), and international experience (Branco and Rodrigues, 2008) are proxies of different aspects of a company’s public or social visibility. A highly socially visible company attracts more stakeholders’ demands for socially responsible activities (e.g. treating employees fairly, carrying out flood relief efforts, donating funds, sponsoring events, and building educational institutions etc.) (Mahadeo et al., 2011). A highly socially visible company will be exposed to the media, NGOs, the government and other pressure groups which may affect companies’ operating practices (Wang & Qian, 2011) and can exert coercive or normative, or mimetic pressure on the firm to act in socially and environmentally responsible manner. It is not essential that a socially visible company would disclose CSR information due to external pressures (i.e. the government, the media, NGOs) but a socially visible company can pre-emptively disclose CSR information to be recognized with normative status (normative isomorphism) or to be identified with institutionalized practices of the environment in which the firm is operating. This point was supported by Campbell (2007, P. 958) who said that:

*“Corporations will be more likely to act in socially responsible ways if there are private, independent organizations, including NGOs, social movement*

*organizations, institutional investors, and the press, in their environment who monitor their behaviour and, when necessary, mobilize to change it”*

As mentioned above, a highly visible company is more vulnerable to pressures from various groups in the society (see Reverte, 2009; Branco and Rodrigues, 2008) and, under legitimacy theory, the company may engage in various socially desirable actions and in their respective disclosures in order to conform to various groups' expectations to legitimize its continued existence and operations in the society (see Deegan, 2002; Branco and Rodrigues, 2008; Reverte, 2009). Thus it can be expected that a socially visible company would disclose more CSR information than a less socially visible company. Here company size, profitability, industry, and a multinational's subsidiaries are used as proxies for social visibility. The question may arise as to why the researcher is using only these proxies of social visibility. There are two reasons for using these proxies: the first is the availability of secondary data on these proxies, and the second is that these factors (especially company size, company profitability, and company's industry) are the most commonly used determinant of CSR disclosure (see Hackston and Milne 1996, Haniffa and Cook 2005, Branco and Rodrigues 2008, Mahadeo et al. 2011).

### **Company's Size**

Company size is a proxy of social visibility (see Patten, 1992; Hackston and Milne, 1996; Reverte, 2009; Branco and Rodrigues, 2008; Mahadeo et al., 2011). A socially visible company would be more exposed to the media, NGOs, the government, and other pressure groups in the society, which may affect the company's operating practices (Wang and Qian, 2011). According to institutional theory these actors can create coercive, normative, or mimetic pressure on the firm to act in a socially

responsible manner. It can also be explained using legitimacy theory, in which a company would disclose its CSR performance information to respond to the society's changing expectations regarding social and environmental issues (Lindblom, 1994; Dowling and Pfeffer, 1975) or to present its self-constructed image to the outside world in order to legitimize its continued existence or operations (Braco and Rodrigues, 2008; Reverte, 2009).

The previous literature has shown a positive association between a company's size and CSR disclosure in both the developed (Six European Countries: Adams et al., 1998; UK and Germany: Adams A., 2002; Australia: McMurtrie, 2005; North America and Europe: Sotorrió & Sánchez, 2008) and the developing countries (Malaysia: Haniffa & Cooke, 2002; Bangladesh: Imam, 2000; Malaysia: Mohd Ghazali, 2007; India: Singh & Ahuja, 1983; Kansal et al., 2014; Malaysia: Thompson & Zakaria, 2004; Malaysia: Zulkifi & Amran, 2006). Relating this to Pakistan, there are 648 large companies (both financial and non-financial) operating in Pakistan and listed at the different stock exchanges (i.e. KSE, LSE, and ISE<sup>21</sup>) of Pakistan (SECP, 2011) which may be exposed to various groups in Pakistan (e.g. the government and NGOs etc.). Thus, based on the existing literature, the following hypothesis can be developed.

***H1.** Company size has a significant positive relationship with CSR disclosure (quantity and quality) and its dimensions*

### **Company's Profitability**

According to Wang and Qian (2011) financial performance of the company is one of the main determinants of companies' CSR disclosure. There is a possibility of

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<sup>21</sup> Karachi Stock Exchange (KSE), Lahore Stock Exchange (LSE), and Islamabad Stock Exchange (ISE)

greater scrutiny of a profitable firm from media and other actors such as NGOs and social movement organizations. According to Campbell (2007) a firm would try to act in socially responsible manner if its behaviour is monitored by independent organizations such as media, NGOs, and social movement organizations etc. According to the legitimacy theory, a profitable company will demonstrate that the corporation has incorporated the changing expectations of the society into its activities. Moreover, a profitable company may disclose CSR information in order to be recognized as a socially responsible company or to assure the independent organizations (i.e. media, WWF, UNGC, and ILOs etc.) or the government that the company has not hurt the environment. In addition, while a number of studies have not found a significant relationship (see Patten, 1991; Hackston and Milne, 1996; Reverte, 2009; Branco and Rodrigues, 2008; Mahadeo et al., 2011), the empirical evidence in both the developed (Greece: Bichta, 2003; North America and Europe: Sotorrío & Sánchez, 2008) and the developing countries (Malaysia: Haniffa & Cooke, 2002; India: Rahul, 2010; Dubai: Rettab, Brik, & Mellahi, 2009; India: Sangle, 2010b; Kansal et al., 2014; Malaysia: Thompson & Zakaria, 2004) overall points to a significant relationship between a company's profitability and its CSR disclosure. Thus, based on the above empirical evidence, the following hypothesis can be developed.

***H2:** A company's profitability has a significant positive relationship with CSR disclosure (quantity and quality) and its dimensions*

### **Industry's Sensitivity**

Industry affiliation is a proxy of social visibility (Branco and Rodrigues, 2008). Many studies from both the developed (Six European Countries: Adams et al., 1998;



Hackston & Milne, 1996; Australia: McMurtrie, 2005) and the developing countries (Malaysia: Haniffa & Cooke, 2002; Singapore, Australia, and South Korea: Newson and Deegan, 2002 cited in Mohd Ghazali, 2007; Malaysia: Thompson & Zakaria, 2004) show that industry affiliation is a determinant of CSR disclosure. Braco and Rodrigues (2008) have provided two refined categories of industry affiliation: environmental sensitivity and consumer proximity, and these are expected to be related to different dimensions of CSR disclosure.

According to Perez-Batres et al. (2012) industries can be dirty (sensitive industry) or clean. The dirtiest industries are more exposed to the monitoring of media and NGOs and are also exposed to future environmental regulations, which can exert coercive pressure on the firm to act in an environmentally responsible manner. According to Campbell (2007) a firm would try to act in a socially responsible manner if its behaviour is monitored by regulatory or independent organizations such as media, NGOs, and social movement organizations etc. From the perspective of legitimacy theory, CSR disclosure is done in order to conform the society's changing expectations (Dowling and Pfeffer, 1975; Lindblom, 1994). It can be expected that a highly visible organization would demonstrate the incorporation of the expectations of the society (represented by NGOs, media, and social movement organizations) more than less visible firms. It can also be expected that a socially visible company (due to environmental sensitivity) may disclose environment-related information in order to conform with society's expectations and/or to be recognized as legitimate company and/or to avoid future regulations or penalties. Thus it can be anticipated that an environmentally sensitive company in Pakistan would disclose more environment related information than a less environmentally sensitive company.

***H3:** A highly environmentally sensitive company has a significant positive relationship with environmental disclosure (quantity and quality)*

Consumer proximity is another proxy of social visibility (Branco and Rodrigues, 2008). The closer the company is to consumers, the greater the chances are for the company to be known to the general public. This increases a company's social visibility. Clarke and Gibson-Sweet (1999) argued that companies which have high public visibility are more likely to disclose community related activities in their annual reports. Thus a significant positive relationship can be hypothesized between a consumer proximity and community involvement disclosure.

***H4:** The consumer proximity measure has a significant positive relationship with community involvement disclosure (quantity and quality)*

### **Multinational Companies Subsidiaries**

Multinational's subsidiaries<sup>22</sup> are also considered to be a proxy of social visibility because of their presence in more than one country and these companies will be exposed to international media, NGOs (i.e. ILO, WWF) pressures, and host and home country regulations. The best example of this can be traced from Islam and Deegan (2008), according to which multinational companies (i.e. NIKE and Rebukey) in the UK, due to international media and NGOs pressures, forced Bangladeshi garment manufacturers not to use child labour. From a legitimacy theoretical perspective, CSR information can be disclosed in order to conform with the expectations of the society (Dowling and Pfeffer, 1975; Lindblom, 1994). Bearing in mind this theoretical perspective, multinational subsidiaries may disclose CSR

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<sup>22</sup> In this research multinational companies are defined as: "companies with foreign origin/seat that operate in one or more countries through affiliates or subsidiaries and have production or marketing facilities in these other countries" (Amao, 2011, p.8).

information to conform to both host country and home country's expectations. From the institutional theoretical perspective, there are chances of mimetic isomorphism (DiMaggio and Powell, 1983) occurring, whereby multinational subsidiaries will learn practices (e.g. environmental protection measures, health and safety practices etc.) from parent companies' practices and will adopt these practices in the host company.

The legitimacy theory argument presented above was supported by empirical evidence from Bangladesh, where multinational companies disclosed more CSR information than national companies of Bangladesh (Sobhani et al., 2009). It was also found from the literature that the parent company's country affects multinational's subsidiaries' CSR disclosure (Gray et al. 1996; Monteiro and Aibar-Guzman, 2010). Another important point is that parent companies of multinational subsidiaries, operating in Pakistan belong to the developed countries: UK, USA, Germany, Norway, and Switzerland. However, there are two multinational subsidiaries (known from the sample) whose parent companies are operating in Oman. There is a much larger CSR and CSR disclosure literature available about the developed countries than the about developing countries (see Kansal et al., 2014). Companies operating in developed countries are assumed to be more socially responsible than those operating in developing countries. Keeping in view the above theoretical perspectives and empirical evidence from the literature, it is expected that multinational subsidiaries (have broad visibility) operating in Pakistan will disclose more CSR information than national companies of Pakistan.

***H5: A multinational company's subsidiary has a significant positive relationship with CSR disclosure (quantity and quality) and its dimensions***

## **4.2.2 General Contextual Factors**

According to Adams (2002) general contextual factors include many elements, for example country of origin, political, cultural, economic, social context, media pressures, and presence of pressure groups. But due to the limited availability of related data and time, this research is primarily focusing on different types of shareholders, creditors, and CSR promoting institutions, for empirical analysis in this section. However, a general debate will be presented in the discussion section of the Chapter 6 to show how institutional context (e.g. political, economic, social, and cultural context) influences CSR disclosure in Pakistan.

### **4.2.2.1 Socio-Economic and Political Context and Change in CSR Disclosure over time**

As discussed in the Chapter 2, all of the successive governments, except the government led by 'Pakistan Peoples Party' in 1972-77, followed the principles of a market economy and pursued industrial development strategies that resulted in substantial industrial growth in Pakistan (see Section 2.1). Despite the industrial sector's contribution to the national economy and its engagement in community developing activities, it has created adverse social and environmental problems (see Section 2.1) which have led to increasing demands for the companies, from various groups (e.g. the government, the NGOs, media, and employees etc.) in Pakistan, to adopt socially responsible behaviours (see Section 2.2 and 2.3). In the face of increasing demands to act in a socially responsible manner the Securities and Exchange Commission of Pakistan has introduced a law in 2009 (i.e. CSR Order 2009) which requires listed companies of Pakistan to disclose their CSR related information in the annual reports (see Section 2.2). In addition to this regulation,

many non-governmental organizations (e.g. CSRCP, CSR Pakistan, UNGC etc.) in Pakistan are demanding that companies disclose their CSR related information (see Section 2.3). Thus the corporate sector in Pakistan is experiencing a pressure from both the governmental and non-governmental organizations to act in a socially responsible manner and for their respective disclosures (for details see Chapter 2). However, there is no evidence as to whether these pressures have resulted in a change in CSR disclosure. In line with legitimacy theory and stakeholder theory, it is contended that companies may disclose CSR information as part of a strategy to gain pragmatic legitimacy or to manage their stakeholders by conforming to the expectations of the 'immediate audience'/stakeholders i.e. the SECP and NGOs (see Suchman, 1995; Robert, 1992; Mahadeo et al., 2011b). Similarly, in line with institutional theory, it is argued that companies may disclose CSR related information in response to coercive pressures from the regulatory institution i.e. the SECP (see DiMaggio and Powell, 1983). In addition to this, empirical longitudinal studies in the developing countries such as Malaysia (Haniffa & Cooke, 2005), Mauritius (Mahadeo et al., 2011; Mahadeo et al., 2011b), Hong Kong (Gao et al., 2005) and Thailand (Ratanajongkol et al., 2006) have shown an increase in the amount of disclosure over time. Thus, based on theoretical arguments and empirical evidence mentioned above, the following hypothesis can be developed.

***H6: there would be a significant increase in CSR disclosure (quantity and quality) in general and its dimensions in particular in annual reports post 2009.***

#### 4.2.2.2 Financial Stakeholders

Finance is a crucial resource for the survival of a firm (Meigs and Meigs, 1992). The powerfulness of a stakeholder depends upon a stakeholder's occupation of resources critical to the firm (Ullmann, 1985). According to this perspective, finance providers (both shareholders and banks) can be considered as powerful stakeholders of a firm and their cooperation is necessary for the continuous survival of the firm. The more powerful the stakeholder of a firm, the greater the expectation that the stakeholders' demands would be addressed (Ullmann, 1985; Gray et al., 1996).

Before relating this to social disclosure, finance providers' demand for social and environmental information should be discussed. The researcher is unable to present evidence that these shareholders and creditors are demanding that the companies be socially and environmentally responsible because only a few CSR disclosure studies have been conducted in Pakistan (see Chapter 1). However, it is assumed here that some groups of shareholders (i.e. government, institutional, and foreign owners) and creditors (i.e. banks) are socially conscious. The government of Pakistan has developed numerous laws to protect the rights of labour and consumers and the environment (see Section 2.3). For this reason government shareholders are assumed to be socially conscious shareholders. Along with government regulations, various NGOs (i.e. CSR networks, WWF, CSR standard setting institutions, and ILOs etc.) are operating in Pakistan and are fighting for the protection of the environment and labour rights. Thus it can be assumed that other shareholders (i.e. institutional and foreign owners) and creditors are socially conscious. This can be explained by the stakeholder theoretical perspective,

according to which companies can disclose CSR information in order to control and manipulate the actions of the stakeholders to gain support which is necessary for the continuous survival of the firm (Gray et al., 1996). Finance providers' relationship with CSR disclosure can also be interpreted through legitimacy theory, according to which a corporation may disclose CSR information to gain pragmatic legitimacy, which depends on the self-interested calculations of the immediate audience of the firm (i.e. finance providers). Different researchers have investigated different groups of owners' relationship with CSR disclosure (see Oh et al., 2011, Haniffa and Cooke, 2002; Amran and Devi, 2008), consistent with the current literature, this research focuses on three groups: institutional ownership, government ownership, and foreign ownership.

### **Institutional Shareholders**

Investors', particularly institutional investors', consideration for companies' social and environmental performance in their investment decisions is an important driver of CSR (Scholtens, 2006; Solomon et al., 2004). According to statement by the Social Investment Forum, socially responsible investments have grown rapidly, with an increase of 258% - from \$639 billion in 1995 to \$2.29 trillion in 2005 in the United States (Russell & Brockman, 2011). This indicates an increase in investors' consideration for social investments when making their investment decisions. A company would be considered a socially responsible investment company if it considers in protecting the environment, building good relationships with employees, adopting pollution control measures, maintaining diversity at the workplace, pursuing good product quality and safety records, and participating in the community projects; and not involving in manufacturing or selling of tobacco, alcohol, military weapons,

gambling, and nuclear equipments (Russell & Brockman, 2011). This above argument has been supported by empirical evidence from both developed and the developing countries. Institutional shareholdings were found to be positively related to companies' CSR disclosure in both the developed (Spain: Prado-Lorenzo, Gallego-Alvarez, & Garcia-Sanchez, 2009; Canada: Mahoney and Roberts, 2007 cited in Ziaul-Hoq et al., 2010) and the developing markets (China: Li & Zhang, 2010; India: Sangle, 2010a; Malaysia: Ziaul-Hoq et al., 2010). The above findings imply that institutional investors can force companies to appropriately respond to their stakeholders such as employees, customers, the environment, and the local community because the institutional investors' interests are associated with long term survival of the firm. Alternatively, a company can disclose CSR information to manage (or manipulate) their relationship with powerful stakeholders (Institutional shareholders here) to gain their support, which is necessary for the firm's survival (Gray et al., 1996) (stakeholder theory). Thus, based on the previously mentioned theoretical and empirical evidence, there is the possibility that a company with a large number of institutional investors would disclose more CSR information in order to conform institutional shareholders' expectations.

***H7a:** A company's shares held by the institutional investors has a significant positive relationship with CSR disclosure (quantity and quality) and its dimensions*

### **Foreign Shareholders**

The CSR concept originated in the developed countries and then spread to the developing countries through globalization. Developed countries are more aware of CSR than developing countries. This is evident because more CSR studies were



conducted in the developed countries (Germany: Cormier et al., 2005; New Zealand: Hackston and Milne, 1996; US: Holder-Webb et al., 2009; US: Yip et al., 2011; US: Hou and Reber, 2011; Spain: Reverte, 2009; Belgium: Bouten et al., 2011; UK and Germany: Adams, 2002; Six European countries: Adams et al., 1998; UK: Simpson and Kohers, 2002) than the developing countries (Malaysia: Amran and Devi, 2007; Amran and Devi, 2008; Hanifa and Cooke, 2002; emerging countries: Brazil, Chile, China, India, Indonesia, Mexico, Thailand, and South Africa: Wanderley et al., 2008; India: Sangle, 2010b; Portugal: Monteiro and Guzman, 2010). Further, developed countries' companies published more CSR reports than developing countries (see KPMG, 2008). In the light of this evidence, it can be expected that shareholders locating in the developed countries would be cognizant of CSR and can force (coercive pressure) the companies to disclose their CSR performance. According to stakeholder theory CSR information can be disclosed to control or manipulate powerful stakeholders' (i.e. foreign shareholders here) actions in order to ensure their support, which is necessary for the firm's survival (Gray et al., 1996). Empirical studies on CSR disclosure have provided consistent argument about the relationship between companies' foreign shareholders and companies' CSR disclosure. Two studies were conducted in Malaysia, which showed a significant positive relationship between CSR disclosure (level) and foreign shareholders in Malaysia (Haniffa & Cooke, 2002; Haniffa & Cooke, 2005). However, a study conducted in Turkey found no significant relationship between the firm's foreign shareholders and CSR disclosure (Ertuna & Tükel, 2009). Due to the clarity of the direction of relationship, the following hypothesis can be derived.

***H7b:** there is a significant positive relationship between companies' shares held by foreign investors and CSR disclosure (quantity and quality) and its dimensions*

### **Government Shareholders**

The government of Pakistan is significantly concerned about companies' social and environmental performance and has established several institutions (e.g. Pakistan Environmental Protection Agency, Ministry of Labour and Manpower, Ministry of Water of Power etc.) and has made various laws to protect the rights of employees and consumers and the environment (see Chapter 2). This reflects the government's intention to protect various stakeholders (e.g. employees, customers and the local community). However, it is another matter as to what extent the government has been successful in protecting various stakeholders. It can be assumed that companies operating in the government sector or whose large number of shares was held by the government would engage in CSR activities. The above argument can be supported by empirical evidence from some studies conducted in different countries such as Turkey (Dincer, 2011), Spain (Prado-Lorenzo et al., 2009), and Malaysia (Mohd Ghazali, 2007; Amran and Devi, 2007), which have shown that the government has a positive influence on CSR disclosure. This can be interpreted using both stakeholder and legitimacy theory. In the light of stakeholder theory, companies can disclose CSR information to conform (or to manipulate) the expectations of the powerful stakeholders (e.g. government shareholders) to gain the support necessary for the firms' survival (Gray et al., 1996; Robert, 1992). According to legitimacy theory companies might be disclosing CSR information, by incorporating immediate audience interests (government here), to gain pragmatic

legitimacy. Thus based on the above evidences the below hypothesis can be derived.

***H7c:** A company's shares held by the government has a significant positive relationship with CSR disclosure (quantity and quality) and its dimensions*

## **Creditors**

The leverage ratio is used as proxy for creditors (or lenders) (Belkaoui and Karpik, 1989; Reverte, 2009). 'Leverage' represents the financial risk that a firm faces from its lenders (Mahadeo et al., 2011). According to the managerial perspective of stakeholder theory, creditors (who provide finance to the firm) will be considered to be a firm's powerful stakeholder (Clarkson, 1995) and CSR information can be disclosed to manage their perception of the firm in order to ensure their continuous cooperation for its survival (Gray et al., 1996). This can be seen in the earlier literature, which demonstrates that companies facing a high level of risk (from lenders) disclose more information to prevent negative reactions of lenders (Haniffa & Cooke, 2005; Reverte, 2009). In the literature, mixed relationships were found between a firm's leverage and CSR disclosure. Branco and Rodrigues (2008) determined the factors of Portuguese companies' CSR disclosure, and found that a firm's leverage has a significant negative relationship with CSR disclosure. Contrary to the above, a study was conducted by Mahadeo et al.(2011) in Mauritius which showed a significant positive relationship with environment and health and safety disclosure. Thus, based on the above evidence, the direction of relationship between a firm's leverage and its CSR disclosure cannot be determined.

**H8:** *There is a significant relationship between a firm's leverage and CSR disclosure (quantity and quality) and its dimensions*

#### 4.2.2.3 CSR Promoting Institutions

CSR promoting institutions (e.g. CSR frameworks and networks, NGOs (e.g. WWF, PCP), and CSR standard setting institutions) are considered to be among the normative institutions (Muthuri & Gilbert, 2011), which set the values and norms<sup>23</sup> which define the appropriate behaviour of the firm. Values refer to “*what is desirable/socially acceptable to pursue*”, while norms refer to “*desirable ways of acting and being*” (Bebbington et al., 2009). Marquis et al. (2007) further explained the norms and values of the society as rules of the game i.e. “*what is right to do around here*”. These rules of the game are considered standards of appropriate corporate social behaviour. It is expected that companies that interact with or are members of CSR promoting institutions will be aware of CSR issues and will be more likely to act in a socially responsible manner. Here, CSR promoting institutions include: CSR frameworks and networks, NGOs, and CSR standard setting institutions, which persuade or motivate companies to act in a socially responsible manner or to disclose their CSR information. There are other normative institutions such as educational institutions, media, and civil society groups which can set the standards for appropriate corporate behaviour. However, due to the non-availability of secondary data, these normative institutions have not been considered in this research.

#### CSR Forums and Networks

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<sup>23</sup> Various other actors within the society such as: media, educational institutions, professional associations, and other social movement organizations also play their role to set norms and values (Muthuri & Gilbert, 2011).

The development of different CSR forums and networks such as CSR Europe<sup>24</sup> and the European Business Campaign for CSR have provided a place for developed countries companies to discuss and to understand the CSR concept (European countries: Fombrun, 2005). These forums are more advanced in the developed countries than the developing countries. However, numerous CSR forums and networks such as AFCSR<sup>25</sup>, China CSR Map<sup>26</sup>, and CSR Pakistan<sup>27</sup> are operating in the developing markets. The purpose of these networks is to encourage companies to address their associated social and environmental issues.

Focusing on the context of the study, there are several CSR forums and networks (e.g. CSR Pakistan, CSRCP, UNGC, GCPLN<sup>28</sup> etc.) operating in Pakistan which are persuading or motivating companies in Pakistan to act in a socially responsible manner and/or to disclose their CSR information (see Chapter 2). Furthermore, many companies in Pakistan are members of these networks (for details see Chapter 2). Professional networks, according to institutional theory, are considered to be one of the sources of normative pressures, which can shape professionals' behaviour (DiMaggio and Powell, 1983; Amran and Devi, 2008). In the light of institutional theory, due to companies' interaction with CSR forums and networks, normative isomorphism is likely to occur in those organizations and may adopt practices through the process of professionalism in order to get normative status (DiMaggio and Powell, 1983). There also some chances of mimetic isomorphism occurring, whereby companies imitate other companies' practices which are learned

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24 <http://www.csreurope.org/>

25 Asian Forum on Corporate Social Responsibility accessed from <http://www.asianforumcsr.com/>

26 [http://www.chinacsmap.org/E\\_Default.asp](http://www.chinacsmap.org/E_Default.asp)

27 Corporate Social Responsibility Pakistan accessed from <http://csrpk.com/>

28 Corporate Social Responsibility Centre of Pakistan (CSRCP), United Nations Global Compact (UNGC), United Nations Global Compact Local Network (UNGCLN)

from professional networks and peers, so that they look similar to other firms operating in the institutional environment. Relating this to CSR disclosure, companies may disclose information about their practices and activities in order to conform to normative institutions' (i.e. CSR forums and networks here) demands/expectations (institutional theory). Normative institutions' relationship with CSR disclosure may be interpreted as an attempt by the firm to gain moral legitimacy (legitimacy theory), which can be achieved by adopting activities considered to be "the right thing to do", as defined by these normative institutions (legitimacy theory). Thus based on the above evidence the following hypothesis can be derived.

*H9: companies which belong to CSR forums and networks (i.e. CSR Pakistan or CSRCP or UNGC or GCPLN) have a significant positive relationship with CSR disclosure (quantity and quality) and its dimensions*

### **Non-Governmental Organizations (NGOs)**

NGOs<sup>29</sup>, powerful actors, played a significant role in highlighting companies' social and environmental issues in both the developed (France: Antal & Sobczak, 2007) and the developing markets (Dogar, 2000; Hussain-Khaliq, 2004; Islam & Deegan, 2008). Actually, NGOs along with business analysts and academic researchers have contributed considerably to the setting of social and environmental standards and to the development of social and environmental reporting frameworks such as Global Reporting Initiatives (GRI) guidelines (Westlund, 2008). There are several NGOs e.g. International Labour Organization (ILO) and World Wide Fund (WWF) operating in Pakistan which promote the protection of labour rights and the environment (see Chapter 2).

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<sup>29</sup> "Organizations that pursue social good exclusively, rather than profits or the political goals of government" (Chandler and Werther, 2014, p.XIX)

Focusing on WWF, a global network which operates in more than 100 countries and creates awareness about issues such as climate change, the unsustainable use of natural resources and the vulnerability of rare species (WWF, 2013a). WWF operates worldwide and many individuals and corporations are members of WWF. In Pakistan, 136 corporations are member of WWF (WWF, 2013b). It is a normative institution operating in Pakistan and creating awareness about the protection of species and the environment in the country. With reference to institutional theory, the WWF may create normative pressure on the firms to incorporate environmental concerns into their business operations. Thus based on the above information, it can be expected that companies which are member of WWF Pakistan will disclose more CSR information, particularly about the environment.

*H10: membership of an NGO (particularly WWF) has a significant positive relationship with CSR disclosure (quantity and quality) in general and environmental disclosure in particular*

### **CSR Standard Setting Institutions**

CSR labels/standards, developed by either governmental institutions or NGOs may influence companies' CSR practices. There are numerous CSR standards, for example SA 8000 for employee relations, ISO 9000 for quality management practices, ISO 14001/14004 for environmental management, OHSAS 18001 for health and safety, AA1000S for stakeholders management, and IIP for employees' learning and development which encourage companies to implement more sophisticated CSR related activities (Fombrun, 2005). Every certification has some requirements e.g. developing policy, establishing plans, implementing plans, evaluating performance, and reviewing plans to be fulfilled by the company to

acquire a certification from the third party. These standards ensure the reliability, safety, and quality of the products and services offered by the firm (ISO, 2013). Therefore companies which comply with ISO standards requirements may have less social and environmental impact than other firms and may exhibit more CSR performance in general. In particular, companies which comply with specific standards, for example employee related standards (e.g. SA8000/OHSAS) and environment related standards (ISO14000/ISO9000), may exhibit human resource disclosure and environmental disclosure. With reference to institutional theory, these CSR standard-setting institutions are considered to be normative institutions, which can exert normative or mimetic pressure on the firm to adopt socially responsible practices (see Muthuri and Gilbert, 2011). Relating this to CSR disclosure, companies may disclose CSR information in order to conform to normative institutions' (i.e. ISO here) expectations. Thus, based on the above discussion, the following hypotheses can be derived.

***H11a: companies that have CSR standards have a significant positive relationship with CSR disclosure (quantity and quality)***

***H11b: there is a significant positive relationship between companies that have SA8000/OHSAS/IIP standards and human resource disclosure (quantity and quality)***

***H11c: there is a significant positive relationship between companies that have ISO14000/ISO9000 standards and environmental disclosure (quantity and quality)***



### 4.2.3 Internal Contextual Factor

According to Amran and Haniffa (2011) corporate governance is an internal contextual factor, and is discussed as “the system by which companies are directed and controlled” (Cadbury 2000, cited in Jo & Harjoto, 2012). Consistent with the above, Dahya et al., (1996, p.71 cited in Haniffa & Cooke, 2005) defined corporate governance as “the manner in which companies are controlled and in which those responsible for the direction of companies are accountable to the stakeholder”. Corporate governance can be viewed from two perspectives: the narrow and the broader view (Nelson & Sharon, 2011). A narrow view of corporate governance tries to handle the issues related to shareholders interest, management control and other issues of principal and agent in economic theory, while a broader perspective of corporate governance takes into account the interests of other stakeholders (Nelson & Sharon, 2011). The board (composed of executives’ directors and non-executive directors) ensures that a firm is working within the limits of the broader governance guidelines.

The Chairman is the administrative head of a firm, and the Chairman’s responsibility is to ensure the smooth running of the firm’s operations according to the policy guidelines of the board. Having multiple directorship indicates that the Chairman has been exposed to multiple firms. It is possible that a Chairman who has multiple directorships may learn issues of concerns from the other companies on whose board he/she sits. This point can also be explained by mimetic isomorphism (institutional theory), according to which the firm tries to copy the institutionalized practices of the other firms operating in the same field (DiMaggio & Powell, 1983). Previous studies have showed a significant relationship between a chairman having

multiple directorships and CSR disclosure (Haniffa & Cooke, 2005; Jo & Harjoto, 2012). Jo and Harjoto (2012) conducted a study in US, and found a positive relationship between a chairman with multiple directorships and product quality dimension of social performance. Another study was conducted in Malaysia and found a significant relationship between CSR disclosure and firm's board being led by a chairman with multiple directorships (Haniffa & Cooke, 2005). Relating this to a Pakistani context, the corporate governance code introduced in Pakistan allows directors to have a maximum of ten directorships (Code of Corporate Governance, 2002). This provides an opportunity for the company directors to learn practices (by interacting with other company directors) from the other companies. Thus it can be expected that companies whose chairman has multiple directorships may disclose more CSR information.

***H12a:** multiple directorship of a company's chairman has a significant positive relationship with CSR disclosure (quantity and quality) and its dimensions*

The corporate governance code which was introduced in 2002 in Pakistan also requires companies to have at least 25% non-executive directors on their board and have at least one non-executive director (preferably the chairman) in the audit committee (Code of Corporate Governance, 2002). Non-executive directors not only protect the interests of shareholders but also those of other stakeholders (Haniffa & Cooke, 2005). According to Jensen and Meckling (1976) non-executive directors are necessary to stop executives' opportunistic behaviour by controlling and monitoring their actions. Moreover, non-executive directors benefit the firm by developing links with the external environment (Haniffa & Cooke, 2002). This can be explained using

the concept of normative isomorphism in institutional theory, which deals with organizations' adoption of practices or procedures due to the process of professionalization and socialization to get normative status (DiMaggio & Powell, 1983). According to this perspective, there is a possibility that non-executive directors may influence the executives to disclose CSR information in order to manage a company's links and to achieve normative status in the institutional environment. Previous studies have not shown a consistent relationship between non-executive directors on a board and CSR disclosure (Prado-Lorenzo et al., 2009; Haniffa & Cooke, 2005; Jo & Harjoto, 2012). Prado-Lorenzo et al. (2009) conducted a study in Spain and found that the presence of non-executive directors on the board positively influenced companies' CSR disclosure. Jo and Harjoto (2012) conducted a study in US and found a positive relationship between external company directors and two dimensions of corporate social performance (i.e. human resource and product disclosure). Contrary to the above, Haniffa and Cooke (2005) conducted a study to check the effect of culture and corporate governance on corporate social reporting and found a significant negative relationship between having non-executive directors on a board and corporate social reporting. Thus, based on the empirical evidence, the direction of the relationship cannot be determined.

***H12b:** the proportion of non-executive directors on a board has a significant relationship with CSR disclosure (quantity and quality) and its dimensions*

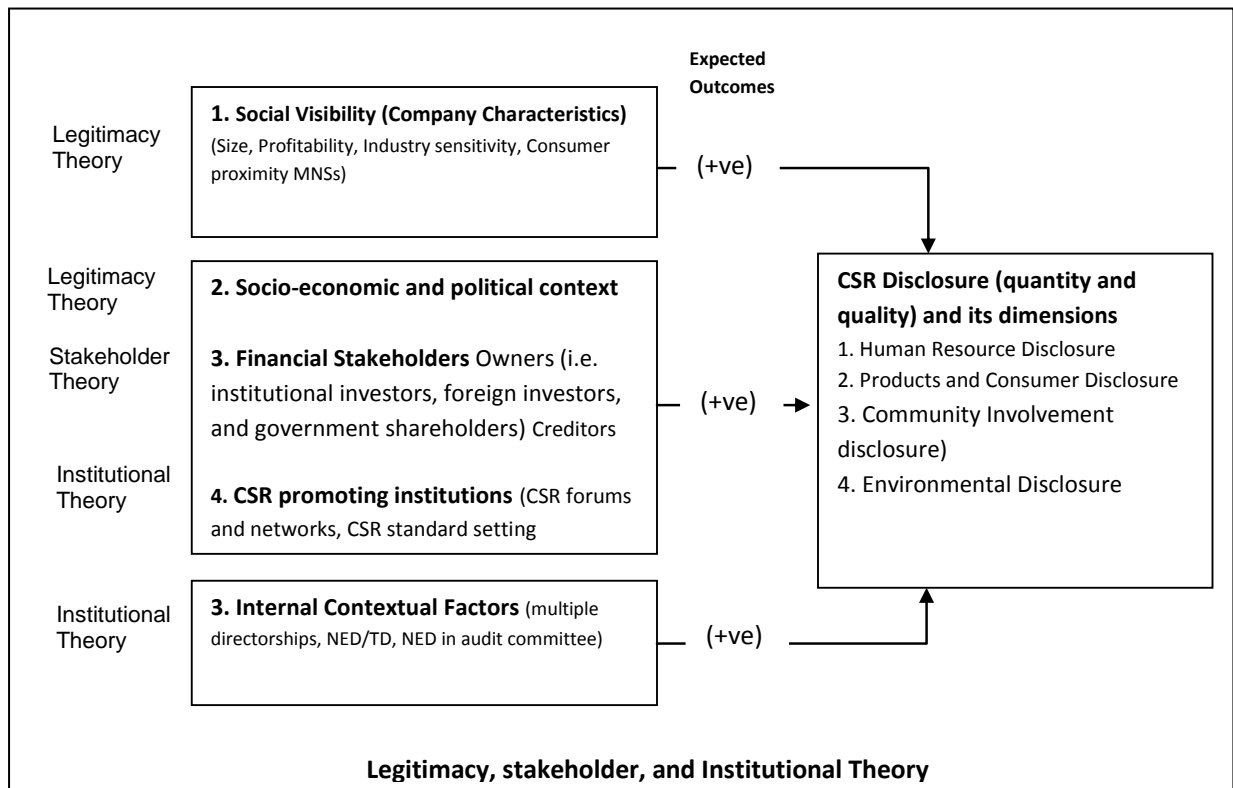
***H12c:** the proportion of non-executive directors in an audit committee has a significant relationship with CSR disclosure (quantity and quality) and its dimensions*

### 4.3 Chapter Summary

In this chapter, theories of CSR disclosure (i.e. legitimacy theory, stakeholder theory, and institutional theory) and determinants of CSR disclosure have been discussed and summarised. These three theories view a corporation as a part of a broader social system in which the corporation has influence and is influenced by the parties within the social system. Legitimacy is a socially constructed and dynamic concept and relies upon the social contract (representing norms and values of society) between the corporation and the society. The legitimacy of the corporation depends upon the extent to which the corporation conforms to the norms and values of the society in which the firm operates. There are three types of legitimacy: pragmatic legitimacy (based on the self-interested calculations of the immediate audience of the firm), moral legitimacy (based on managerial evaluations of what is the right thing to do), and cognitive legitimacy (based on managerial cognition). According to legitimacy theory, CSR disclosure is used as tool by the firm to legitimize its existence in the society. The second theory is the managerial branch of stakeholder theory which predicts that the corporation will disclose information in order to manage its important stakeholders to ensure their support, which is necessary for the firm's continuous survival in the society. The importance of stakeholders to the firm depends upon three attributes: power, legitimacy and urgency of stakeholders' claims. The power of the stakeholders depends upon the stakeholders' occupancy of resources which are critical to the firm, access to influential media, ability to legislate against the company, and their ability to influence the consumption of goods and services of the firm. Institutional theory focuses on organizational forms/practices which are considered to be institutionalized in the environment adopted by the firm to

look similar to other firms operating in the same environment due to coercive, normative, and mimetic pressures from regulatory, normative, and cognitive institutions. There is one point to note here, which is that there is no one-to-one correspondence between institutional pressures (coercive, normative, and mimetic) and the type of institutions (regulatory, normative, and cognitive). According to this theory, a particular practice (i.e. CSR disclosure) is adopted in order to look similar to other firms operating in the environment (normative isomorphism), or due to pressures from regulatory organizations (coercive isomorphism), or due to counterparts' practices (mimetic isomorphism). These three theories provide slightly overlapping and complementary perspectives to explain CSR disclosure because pragmatic legitimacy overlaps with the managerial branch of stakeholder theory and regulatory institutions, while moral and cognitive legitimacy overlaps with normative and cognitive institutions respectively in institutional theory. These theories are used to explain the quantity and quality of CSR disclosure, and its determinants. The determinants have been grouped into five broad factors: social visibility, socio-economic and political context, financial stakeholders, CSR promoting institutions, and corporate governance, and are shown in the Figure 4.4. These factors have been hypothesized as to have overall significant positive relationship with the quantity and quality of CSR disclosure and its dimensions.

Figure 4.4: Theoretical framework for Pakistani companies' CSR disclosure and determinants of disclosure



## **5. CHAPTER: RESEARCH METHODOLOGY**

### **5.0 Introduction**

The purpose of this chapter is to discuss the methodology, employed to address the research questions presented in the Chapter one. This chapter is organized as follows: the first section discusses the methodology of this research. The second section discusses the research methods (i.e. content analysis and survey) used to answer the research questions. The third section discusses the data analysis techniques employed in this research and the penultimate section presents pilot study results. The last section summarises this chapter.

### **5.1 Methodology**

Easterby-smith et al. (2009) have contended that all research is based on some implicitly and explicitly stated philosophical assumptions. These philosophical assumptions help the researcher in determining the methodology used to study a social phenomenon (Easterby-Smith et al., 2009; Gill & Johnson, 2002; Morgan & Smircich, 1980; Saunders, Lewis, & Thornhill, 2007). A methodology consists of processes, principles and procedures adopted by the researcher to approach the research problems and to seek their answers (Bogdan & Taylor, 1975). In other words, a methodology is a combination of different techniques/ research methods used to investigate a problem in a specific situation (Easterby-Smith et al., 2009). The philosophical assumptions associated with the determination of methodology are ontology, epistemology and human nature assumptions (Burrell & Morgan, 1979;

Morgan & Smircich, 1980). These philosophical assumptions are usually determined by considering the aims/purposes of the research (Hanafi, 2006).

The first philosophical assumption to determine the methodology is ontology (Burrell & Morgan, 1979; Easterby-Smith et al., 2009). Ontology is mainly concerned with the nature of knowledge/reality and the nature of its existence (Easterby-Smith et al., 2009; Easterby-Smith, Thorpe, & Jackson, 2012; Saunders et al., 2007). The basic questions associated with the ontological positions are: whether reality exists external to the individuals or is a product of individuals' consciousness; and whether reality is objective or subjective (Burrell & Morgan, 1979). Burrell and Morgan (1979) have identified two extreme ontological positions named: realism and nominalism. In social science, the representationalist position corresponds to realism in natural science (see Easterby-Smith et al., 2009). Therefore these terms are interchangeably used in this thesis. Representationalism assumes that the reality (or social world) exists externally to individuals but cannot be observed directly (Easterby-Smith et al., 2009). On the other hand, contrary to realism, nominalism assumes that *"the social world external to individual cognition is made up of nothing more than names, concepts and labels which are used to structure reality"* (Burrell & Morgan, 1979, p.4). It posits that *"reality... is socially constructed and given meaning by people"* (Easterby-Smith et al., 2012, p.23). The proponents of the nominalist position maintain that reality does not exist external to the individuals rather it is a product of individuals' consciousness (Easterby-Smith et al., 2009; Saunders et al., 2007). A researcher who adopts the nominalist position believes that one cannot separate oneself from the process of exploring reality.



In order to determine the ontological position adopted for this study, there is a need to know its aims/objectives. The aims of this study are to examine the quantity and quality of CSR disclosure, and to determine the factors influencing CSR disclosure by listed companies of Pakistan. It is acknowledged here that the disclosure of CSR information is a socially constructed concept as what needs to be reported as CSR depends upon managers' assumed social responsibilities in a particular context (see Deegan & Unerman, 2011). It is also established in extant literature that CSR itself is a socially constructed concept (see Freeman & Hasnaoui, 2011; Dahlsrud, 2008; Benn & Bolton, 2011). This means that the same corporate behaviour considered acceptable at one place may not be acceptable at another place at the same time. Furthermore, in practice, previous studies have shown evidence of variation in CSR disclosure between countries (see Laan smith et al., 2005), across industries within the same country (see Amran & Devi 2008; Holder-Webb et al. 2009; Huang & Kung 2010; Reverte 2009) and between companies within the same industry (see Hou & Reber 2011). These findings complement our argument made earlier that CSR disclosure is a socially constructed reality. However the purpose of this study, as mentioned earlier, is not to define CSR (or CSR disclosure) or to develop a new measure of CSR (or CSR disclosure), but rather to examine the quantity and quality of CSR disclosure, and to determine various factors (both observable and non-observable) influencing CSR disclosure. Here 'quantity' refer to the magnitude (i.e. amount) and level (i.e. numbers of issues) of disclosures (see Hackston and Milne, 1996; Haniffa and Cooke, 2005; Mahadeo et al., 2011a), while 'quality' refers to the nature of disclosures (i.e. declarative, quantitative and monetary-quantitative) made (see Bouten et al., 2011). Corresponding to the aims of this study, the information required to determine the quantity and quality of CSR disclosure, and to measure

observable factors relationship with CSR disclosure can be found from the annual reports. Similarly to determine non-observable factors influencing disclosure (or non-disclosure) of CSR information, the required information can be collected from corporate managers, using already developed measures. Therefore, the aim to examine the nature of CSR disclosure and its association with the antecedent factors, suggests the ontological position of 'representationalism' for this study. 'Representationalism', as mentioned earlier, corresponds to 'realism' in natural science (Easterby-Smith et al., 2009). It indicates that reality exists external to what is disclosed in the annual reports and what is perceived by managers regarding the quantity and quality of CSR disclosure and its determinants. However the hidden representation of this reality exists in the annual reports and in managers' minds. Investigating such hidden representations of reality will help the researcher in fulfilling the study's objectives. It is, therefore, clarified here that the overall ontological position of this study is 'representationism', in contrast to the ontological position of 'constructionism' for the main concept studied in this research (i.e. CSR disclosure).

The second philosophical assumption associated with the determination of methodology is the epistemological assumption (Easterby-Smith et al., 2009). Epistemology is concerned with what is the best way of investigating the nature of the world (Easterby-Smith et al., 2009). Burrell and Morgan (1979) have identified two extreme epistemological positions: 'positivism' and 'anti-positivism'. 'Anti-positivism' is also called 'social constructionism'. Therefore 'anti-positivism' and 'social constructionism' are interchangeably used in this thesis. The epistemological position of 'Positivism' is consistent with the ontological position of 'representationalism', which assumes that the reality exists external to the

researcher and can only be known by getting the indirect evidence (Easterby-Smith et al., 2009). Positivists explain and predict the social world by seeking regularities and causal relationships between the constituents of the social phenomenon (Burrell & Morgan, 1979). Moreover, they adopt methods that are commonly used in natural sciences. Positivist researchers may start with the development of hypotheses which may be verified or falsified based on the findings, and this contributes to knowledge by verifying the hypothesized relationships or by eliminating the false hypotheses (Burrell & Morgan, 1979). Moreover, positivist researchers usually use a structured methodology to facilitate replication (Gill & Johnson, 2002) and quantitative data to perform statistical analysis (Saunders et al., 2007).

The epistemological position of 'social constructionism' is consistent with the ontological position of 'nominalism', which assumes that reality is socially constructed (Easterby-Smith et al., 2012). In other words, anti-positivists (social constructionist) argue that reality is determined by people as part of the social phenomena (Easterby-Smith et al., 2009; Saunders et al., 2007; Burrell & Morgan, 1979). Thus reality can be known from the points of view of the participants in action. Social-constructionists, contrary to positivists, believe in subjective reality and start with data which lead them to the development of an idea (or theory). Further, the aim of constructionists is to get in-depth understanding of the situation rather than to establish causal relationships. The difference between 'positivism' and 'social-constructionism' can also be understood from the following table.

In this research, knowledge (i.e. determining the quantity and quality of CSR disclosure, and its association with the antecedent factors) is mainly obtained by using inferential statistics and examining the causal relationships among the

variables of this study. These techniques and methods are considered as methods of natural science. The obtained knowledge through these techniques is considered to be an objective knowledge because by following the similar rules and procedures, another researcher can replicate results of this research. Thus this research adopts a positivist epistemological position. The adoption of the epistemology of ‘positivism’ is consistent with the studies targeted to accomplish similar aims (see Haniffa & Cooke, 2005; Branco & Rodrigues, 2008; Reverte, 2009; Wilmshurst & Frost, 2000).

**Table 5.1: Philosophical assumptions of ‘positivism’ and ‘social-constructionism’**

	<b>Positivism</b>	<b>Social Constructionism</b>
The observer	must be independent	is a part of what is being observed
Explanations	must demonstrate causality	aim to increase general understanding of the situation
Research progress through	hypothesis and deduction	gathering rich data from which ideas are induced
Concepts	need to be defined so that they can be measured	should incorporate stakeholder perspectives
Generalization through	statistical probability	theoretical abstraction
Sampling requires	Large numbers selected randomly	Small numbers of cases chosen for specific reasons

Adopted from Easterby-Smith et al. (2012, p. 24)

The third philosophical assumption associated with the determination of methodology is ‘human nature’ (Burrell & Morgan, 1979). This philosophical assumption focuses on the relationship between the human beings and the society (the environment) in which the people live (Burrell & Morgan, 1979). Burrell and Morgan (1979) identified two extreme human nature positions named: determinism and voluntarism. Determinism assumes that people and their activities are completely determined by the situation and the environment in which they are living, while voluntarism assumes that “man is completely autonomous and free-willed” (Burrell & Morgan, 1979, p.6). In this research, the researcher adopts a determinist human nature assumption because previous disclosure researchers have shown that companies have disclosed CSR information in response to external legitimacy

threatening events (see Patten, 1991; Patten, 1992) and to comply with demands of the powerful stakeholders, external to the company (see Islam & Deegan, 2008; Rahaman et al., 2004). Moreover, the factors examined in this research are external to the company. By considering the results of the previous disclosure studies and the factors being examined in this study, the researcher has adopted the deterministic human nature position.

The above discussion of philosophical assumptions shows that these assumptions are interrelated<sup>30</sup>. Different combinations of the philosophical assumptions lead towards the selection of different methodologies. Burrell and Morgan (1979) have identified two methodological positions (ideography vs nomothetic) based on the extreme positions of ontology (representationalism vs nominalism), epistemology (positivist vs anti-positivist), and human nature related assumptions (determinism vs voluntarism). The nomothetic approach to social science uses systematic protocols and techniques to come to the conclusion. This approach uses quantitative techniques for the analysis of data (Burrell & Morgan, 1979). On the other hand, the Ideographic approach to social science is based on the view that one can understand the social world by obtaining the first-hand knowledge about the subjects under investigation (Burrell & Morgan, 1979). This methodological approach emphasizes the accounts generated from one's interaction with the subjects (usually human beings) of the analysis (Burrell & Morgan, 1979). This methodological approach usually involves qualitative research methods. The division of methodology (nomothetic and ideography) can also be called a quantitative or qualitative division, but this dichotomy of quantitative and qualitative methodology is an overly simplified

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<sup>30</sup> This point was also raised by Burrell and Morgan (1979).

division (Morgan & Smircich, 1980). This point was supported by Laughlin (1995) who argued in favour of the selection of middle-range methodological positions. But the selection of a particular methodological position (i.e. ideography, nomothetic, or middle-range methodological position) does not mean that other methodological positions are worthless. It was argued in the article by Morgan and Smircich (1980) and the book by Easterby-Smith et al. (2012) that the selection of a particular methodology depends upon the nature of the knowledge and the way knowledge is achieved. In other words the selection of a particular methodology depends upon the philosophical assumptions made by the researcher. Thus based on the philosophical assumptions adopted for this research, the researcher has selected the nomothetic (or quantitative) methodology because Burrell and Morgan (1979) mentioned that representationalist ontology, positivist epistemology, and deterministic human nature are underlying assumptions of nomothetic methodology. On the other hand, nominal ontology, anti-positive epistemology, and voluntarism human nature are the underlying assumptions of ideography methodology. Consistent with the nomothetic methodology, quantitative research methods, particularly content analysis and surveys, are used in this research. The justification for the selection of each research method is discussed under the respective research method. The research approach to be followed in this research is depicted in the following table.

**Table 5.2: Research Approach for the current research**

<b>Philosophical Assumptions</b>	
Ontological Position	Realism
Epistemological Position	Positivist
Human Nature Position	Determinism
Methodology	Nomothetic (quantitative)
Research Methods	Content analysis + Survey

## **5.2 Research Methods**

This research uses two research methods i.e. content analysis and survey. The data collected through the content analysis helps the researcher in answering the first two research questions of this research, while the data collected through the survey method helps the researcher in answering the third research question. Both research methods are explained in the following sections.

### **5.2.1 Content Analysis**

Content analysis is a widely used method to calculate corporate social and environmental disclosure scores (see Amran & Devi, 2008; Bouten et al., 2011; Branco & Rodrigues, 2008; Cormier et al., 2005; Deegan et al., 2002; Gray et al., 1995a; Gray et al., 1995b; Hackston & Milne, 1996; Hou & Reber, 2011; Monteiro & Aibar-Guzmán, 2010; Zeghal & Ahmed, 1990) and is defined as a method of codifying the text (or content) into various categories (or groups) based on certain criteria (Abbott & Monsen, 1979; Weber 1988 cited in Milne & Adler, 1999). The content analysis method requires the determination of documents for analysis, definition(s) of corporate social and environmental disclosure (and its dimensions), measurement of disclosure (i.e. unit of analysis), and the reliability of content analysis (Gray et al., 1995b). Each of the required elements of content analysis is discussed below:

#### **5.2.1.1 Basis of analysis**

Companies can disclose their CSR information through various media such as annual reports, websites, stand-alone reports, brochures and corporate

advertisements (see Branco & Rodrigues, 2008; Wanderley et al. 2008, Zeghal & Ahmed 1990). Unerman (2000) has cautioned to include all the documents in the analysis and advised to limit the disclosure documents of analysis for two reasons:

1. Large companies may publish a large number of documents each year and a researcher may be overwhelmed by a large number of documents.
2. It is quite possible that all the published documents may not be available on public archive that may cause difficulty in ensuring the completeness of data.

The above statements suggest that it is impractical to examine all the documents of disclosure and for this reason this research only focuses on companies' annual reports and there are some reasons to choose companies' annual reports as a document of analysis. Firstly, publishing an annual report is mandatory for the listed companies of Pakistan. Secondly, the Securities and Exchange Commission of Pakistan (SECP) has passed an order in 2009 according to which the listed companies of Pakistan are required to provide their CSR information in the annual reports (CSR Order, 2009). Therefore it may be expected that all of the CSR information will be provided in the annual reports. Thirdly, annual reports provide a comprehensive picture of an organization's performance i.e. financial performance and non-financial performance (Daub, 2007). Fourthly, annual reports are considered to be a highly credible source of information (Carol, 1994). Fifthly, annual reports have a wide spread distribution and availability (Adams & Harte, 1998; Wilmshurst & Frost, 2000) and these are convenient to obtain because of their availability at the stock exchanges of Pakistan, companies' websites and in the public libraries. Sixthly, some stakeholders treat annual reports as their sole source of information (Deegan & Rankin, 1997). Finally, many CSR disclosure researchers



(see for example Amran & Devi, 2007; Belal 2001; Hackston & Milne, 1996; Haniffa & Cooke, 2005; Hou & Reber, 2011; Monteiro & Aibar-Guzmán, 2010; Pahuja & Bhatia, 2010; Rahman et al., 2010; Sobhani et al., 2009; Ziaul-Hoq et al., 2010) have used companies' annual report for analysis purposes and a fewer researchers have used other company documents (e.g. websites, stand-alone reports, brochures, and advertisements). Therefore, in order to be consistent with previous CSR disclosure literature, this research uses companies' annual reports as a source of collecting CSR information through content analysis so that the obtained results can be compared with previous studies.

#### **5.2.1.2 Definition(s) of CSR Disclosure and its dimensions**

Defining the concepts to be researched is a prerequisite of any research. According to Krippendorff (1980) data collected through content analysis should meet the test of objectivity, systematicness, and reliability. Objectivity requires that an independent coder should be able to identify what is 'social and environmental disclosure' and what is not. The systematicness requires an exhaustive list of rules, which will help in determining 'social and environmental disclosure', its dimensions (Gray et al., 1995b) and its themes. These characteristics require a precise and unique definition of 'social and environmental disclosure'. The exhaustive list of rules/items (Gray et al., 1995b; Hackston & Milne, 1996) will be treated as a definition of 'social and environmental disclosure' but the accuracy of the 'social and environmental disclosure' definition is a contested matter between scientists in the field. Gray et al. (1995b) have identified a few problems associated with CSR disclosure definition:

1. There might be disclosures which one thinks is the part of CSR disclosure, but it falls out of the defined categories.

2. Categories of CSR disclosure fails to create a simple distinction between voluntary and mandatory CSR disclosure.
3. The changes over time would make the previous marginalized 'social and environmental disclosure' categories too narrow and cumbersome.

In response to these challenges, Gray et al. (1995b) adopted social and environmental disclosure rules (i.e. definitions) previously published by Ernst and Ernst (1976) to enhance comparability and also introduced the blank field in the database (i.e. data collection instrument) to incorporate the data which was not covered by the existing categories. Moreover, Gray et al. (1995b) treated the Ernst and Ernst (1976) social and environmental disclosure categories as a base to build their research instrument. Moreover, Gray et al. (1995b) have suggested that the 'social and environmental disclosure' definition should have a shared meaning so that study results could be compared with other studies in the same field and to allow other mainstream 'social and environmental disclosure' researchers to use this database.

To employ the shared definition of 'social and environmental disclosure', the researcher started with the GRI 3.1 (2011), a widely used reporting framework (Deegan & Unerman, 2011), which explicitly requires economic, social, and environmental activities along with their performance indicators to be reported by the firms. This study only measures social and environmental disclosures of companies listed in Pakistan, which is why the economic dimension is considered irrelevant here. The reason for choosing this reporting framework is that this reporting framework was developed after collaboration with various professional bodies such

as businesses, representatives from labour organizations, government agents, investors, accountancy firms' representatives and others (GRI 3.1, 2011).

GRI 3.1 (2011) has five CSR disclosure dimensions: human rights, labour and work practices, society, products and consumers, and environment. The CSR disclosure dimensions particularly environment, human rights, and labour practices are comprised of 9, 8, and 6 themes respectively, while each of the remaining CSR disclosure dimensions is comprised of 5 themes. In addition to this, GRI 3.1 (2011) includes indicators to measure a company's performance for each CSR disclosure theme. There are 74 indicators in total. These indicators have helped the researcher to categorize reported CSR information in to 29 CSR disclosure themes. To check the appropriateness of the GRI 3.1 (2011) reporting framework to calculate companies' social and environmental disclosures score, the researcher further developed a scale containing three points: non-disclosure, partial disclosure, and exact disclosure for each CSR disclosure theme. The non-disclosure category represents a company which does not disclose information about any of the indicators of a particular CSR disclosure theme. The partial disclosure category represents a company which discloses some information about any of the indicators of a particular CSR disclosure theme but not all of the information about an indicator. The exact disclosure category contains companies which disclose all of the required information about any of the indicators of a particular CSR disclosure theme. This can be better explained with the following example. The CSR 'energy' theme has four indicators: EN3, EN4, EN5 and EN6 which represent direct energy consumption, indirect energy consumption, energy saved due to efficient processes and energy saved through renewable energy methods respectively. Bestway Cement Limited (2010) and Attock Petroleum Limited (2010) did not disclose information about any of

the above mentioned indicators of energy theme, so these companies were included in the 'non-disclosure' category of the 'energy' theme. However, Attock Refinery Limited (2010) reported information about its energy conservation programmes for employees by avoiding unnecessary use of electricity, gas and water. In this case, Attock Refinery Limited (2010) disclosed partial information about the energy theme. In contrast, Atlas Honda (2010) reported that "we installed energy saving units and saved 30% energy". In this example, Atlas Honda (2010) made exact disclosure about EN5 indicator of the 'energy' theme of CSR disclosure.

Later, in order to check the appropriateness of this (GRI) research instrument, a sample of 25 leading (from KSE-100 index<sup>31</sup>) companies was selected at random. After studying the sampled companies' annual reports, it was found that leading Pakistani companies reported information about several GRI CSR disclosure themes i.e. energy, water, biodiversity, emissions, non-discrimination, freedom of association, occupational health and safety, training and education, diversity and equal opportunity, and local community (see Table 5.3). The results indicated that a few sampled companies reported exact information about indicators and many of the sampled companies reported partial information about GRI 3.1 (2011) indicators. Thus, applying the GRI 3.1 (2011) indicators may involve a subjective element in categorizing CSR reported information and this may affect the reliability of the results derived from the data collected through this research instrument. In addition to this, the leading companies have reported information about the activities (e.g. establishing hospitals, schools and planting trees etc.), which are not required by the GRI 3.1 (2011). Thus GRI 3.1 (2011) indicators cannot be used here to categorize

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<sup>31</sup> The reason to choose the leading companies is that leading companies are more likely to disclose CSR related information and this will enable the researcher to include wide variety of CSR related information into the research instrument to be used to calculate CSR disclosure score of a company.

CSR reported information into CSR disclosure themes. These activities were identified and grouped into GRI 3.1 (2011) disclosure dimensions: human resources, human rights, customers, society and environment (see Appendix 2).

**Table 5.3: GRI 3.1 (2011) research instrument - pilot study results**

CSR THEMES/AREAS	REPORTING STATUS		
	NR	PRI	ERI
<b>1.Environmental Dimension (Themes)</b>			
Material	25 (100%)	-	-
Energy	16 (64%)	6 (24%)	3 (12%)
Water	24 (96%)	1 (04%)	-
Biodiversity	23 (92%)	2 (8%)	-
Emissions, Effluents, and Waste	13 (52%)	8 (32%)	4 (16%)
Products and Services	25 (100%)	-	-
Transport	25 (100%)	-	-
Compliance	25 (100%)	-	-
<b>2. Human Rights Dimension (Themes)</b>			
Investment and Procurement Practices	25 (100%)	-	-
Non-Discrimination	24 (96%)	1 (4%)	-
Freedom of Association and	25 (100%)	1 (4%)	-
Child Labour	25 (100%)	-	-
Forced and Compulsory Labour	25 (100%)	-	-
Security Practices	24 (96%)	-	-
Indigenous Rights	25 (100%)	-	-
Assessment	25 (100%)	-	-
<b>3.Labour Practices and Decent Works (Themes)</b>			
Employment	25 (100%)	-	-
Labour/Management Relations	25 (100%)	-	-
Occupational Health And Safety	8 (32%)	16 (64%)	1 (04%)
Training and Education	5 (20%)	20 (80%)	-
Diversity and Equal Opportunity	24 (96%)	1 (04%)	-
Equal Remuneration for Women and Men	25 (100%)	-	-
<b>4.Societal Dimension (Themes)</b>			
Local Community	16 (64%)	09 (36%)	-
Corruption	25 (100%)	-	-
Public Policy	25 (100%)	-	-
Anti-Competitive Behaviour	25 (100%)	-	-
Compliance	25 (100%)	-	-
<b>5.Products and Services Dimension (Themes)</b>			
Customer Health And Safety	25 (100%)	-	-
Product And Service Labelling	25 (100%)	-	-
Marketing Communications	25 (100%)	-	-
Customer Privacy	25 (100%)	-	-
Compliance	25 (100%)	-	-

NR: Not reported; PRI: Partially Reported Information; ERI: Exactly Reported Information

Based on the disclosed activities the researcher tried to find a CSR disclosure instrument which would cover all of the disclosed activities, but the researcher could not find a single CSR disclosure instrument. However, the researcher has identified

the Hackston and Milne (1996) 'social and environmental disclosure' instrument that covers the majority of the reported CSR activities, and is treated as base for developing a CSR disclosure instrument for this research project. There are five reasons to choose the social and environment disclosure instrument by Hackston and Milne (1996). Firstly, this research instrument was based on the instrument by Ernst and Ernst (1976); and Gray et al. (1995b) recommended that the instrument by Ernst and Ernst (1976) should be considered as a base for social and environmental disclosure. Secondly, this 'social and environmental disclosure' definition covers the majority of the activities reported by the leading companies of Pakistan. Thirdly, Milne and Adler (1999) have checked the reliability of this research instrument and have found that this instrument is reliable for total disclosure, even when coded by a coder who has had minimal training. Fourthly, this disclosure instrument was used by other authors such as Deegan et al., (2002), Newson and Deegan (2002), and Branco and Rodrigues (2008). Finally, the results derived through this research instrument could be compared with previous disclosure studies.

According to Gray et al. (1995b) changes over time will make previous marginal categories too narrow or cumbersome and therefore a need was felt to adjust the categories of CSR disclosure. To adjust the new themes (from Pakistani context), this 'social and environmental disclosure' instrument was updated from Branco and Rodrigues (2008), Vuontisjarvi (2006), and GRI 3.1 (2011). Hackston and Milne (1996) discussed all of the indicators (or activities) of community involvement under one theme (i.e. community involvement) but Branco and Rodrigues (2008) discussed these indicators under five themes: 1) charitable donations and activities, 2) support for education, 3) support for arts and culture, 4) support for public health, 5) and sponsoring sports and recreational projects, which have been adopted to categorize

community development indicators of Hackston and Milne (1996). Vuontisjarvi (2006) has discussed the human disclosure in more detail than Hackston & Milne (1996), which is why all of the human resource disclosure themes and indicators (except indicators marked by an asterisk \*) have been adopted from Vuontisjarvi (2006). In addition to this, some indicators have been adopted from the sampled companies annual reports and are denoted by an asterisk (\*) sign. In addition to the above, Hackston and Milne (1996) separated the environmental dimension from the energy dimension of CSR disclosure but GRI 3.1 (2011) discussed under one dimension. For this reason the researcher included the energy theme under the environmental dimension. Another theme (i.e. consumers relations) discussed by Branco and Rodrigues (2008) was added to the products and consumer disclosure dimension.

In summary, CSR disclosure includes disclosures in five dimensions: 1) environment, 2) human resource, 3) products and consumers, 4) community involvement, and 5) general disclosure developed from Hackston and Milne (1996), Vuontisjarvi (2006), Branco and Rodrigues (2008), GRI 3.1 (2011), and is based on the disclosures in the sampled companies' annual report. The environmental dimension includes disclosures related to environmental pollution, conservation of natural resources, energy efficiency, aesthetics, and others environment related issues. The human resource dimension encompasses disclosures related to employees' training and development, pay and benefits, and their participation and involvement in business operations. It also includes disclosures related to employees' health and safety, staffs' well-being, employment policies, measurement of human resource policies, and equal opportunity practices. The products and consumer dimension includes disclosures related to products' safety, products'

quality, products' development, and consumers' relations. The community involvement dimension covers disclosures related to supporting public education, supporting for health, sponsorships (e.g. sports, arts and culture), and other community related activities. Finally the general disclosure dimension includes themes which are considered to be part of CSR but are not covered by the above CSR disclosure dimensions.

### **5.2.1.3 Unit of Analysis**

The literature on CSR disclosure generally focuses on two types of measurements: 1) the quantity of disclosure (i.e. the amount of disclosure and the level of disclosure) and 2) the quality of disclosure (i.e. the nature of the information) (Gray et al., 1995b). These measurement methods are discussed below.

#### **5.2.1.3.1 Quantity of disclosure**

The quantity of disclosure covers both the amount and the level of disclosure. The amount of disclosure is used as a proxy for the importance given to a particular topic i.e. CSR (Branco & Rodrigues, 2008). Various measures (for example: pages, words, and sentence count) were used to measure the amount of CSR disclosure. Each measurement method has its own pros and cons. The disclosure study by Deegan and Rankin (1996) used a 'pages count' method to measure the amount of CSR disclosure. Pragmatically, it is an easy and reliable unit of measurement (Guthrie & Parker, 1989) but this measurement is sensitive to font size, page size, and column size that can differ from one report to another (Ng, 1985 cited in Hackston & Milne, 1996). This problem was resolved by employing the 'words count' method (Ng, 1985). Deegan and Gordon (1996) justified the 'words count' method by



arguing that the amount of disclosure can be recorded in greater detail by using this method. Zeghal and Ahmed (1990) also supported Deegan and Gordon (1996) and argued that the word is the smallest unit of measurement, which is considered to be a strength when measuring the quantity of disclosure. This method has also faced some criticism, specifically that two coders may disagree over which words constitute CSR disclosure and which do not (Hackston & Milne, 1996). Moreover, Milne and Adler (1999) argued that an individual word does not have meaning without a particular sentence context. Another criticism faced by this method is that it ignores the non-narrative disclosures i.e. pictures and graphs (Unerman, 2000).

The problems associated with counting words and pages were resolved by using the 'sentence count' method, which was used by Hackston and Milne (1996), Hasseldine et al. (2005), Rahman et al. (2010), and Sobhani et al. (2009). It is considered to be a more accurate method than the 'words count' method (Hackston & Milne, 1996; Rahman et al., 2010). Moreover, the sentence is the natural unit of written English and is easier to count than words (Hackston & Milne, 1996). The 'sentence count' method has also faced some criticism, including that it ignores the differences in the use of grammar which may result in different sentences (Unerman, 2000). For example the same message may be communicated with similar number of words and space but in different sentences. Another problem associated with this method is that a sentence may contain information about two or more themes, and treatment of that sentence under one theme will undermine the score of other theme. The treatment of that sentence in any theme will not affect the total disclosure score. Similarly, this will not affect a CSR disclosure dimension score when both themes mentioned in a sentence relate to same dimension of CSR disclosure. However, this will affect the disclosure score of a dimension when both themes mentioned in a

sentence relate to different dimensions of disclosure (e.g. environment and human resource). This issue can be resolved by counting the same sentence in both dimensions by dividing the sentence by two. The 'sentence count' method has also been criticized for ignoring the non-narrative disclosures i.e. pictures and graphs (Unerman, 2000), which can be effective pieces of information (Zeghal & Ahmed, 1990). However, this problem was resolved by treating each picture or graph as a one sentence and each line of a table as one sentence. This approach was proposed by Hackston and Milne (1996) and adopted by Sobhani et al. (2009) and Amran and Devi (2008) in measuring the quantity of CSR disclosure. Therefore measuring the amount of disclosure, sentences will be the unit of measurement.

In measuring the level of CSR disclosure, the researcher counted the number of themes disclosed under each CSR issue. This measurement method is consistent with previous CSR disclosure researchers (see Haniffa & Cooke, 2005; Branco & Rodrigues, 2008), who have counted the number of themes disclosed by a company to calculate the level of CSR disclosure. Thus sentence and theme counts are used in this study to measure the quantity of CSR disclosure.

#### ***5.2.1.3.2 Quality of CSR Disclosure***

The quality of CSR disclosure is considered as a proxy of a firm's actual social and environmental performance (see Blowfield & Murray, 2011). Some researchers measured the quality of CSR disclosure on the basis of the nature of the information i.e. qualitative, quantitative and monetary disclosed about a theme (Cormier & Magnan, 1999; Cormier & Magnan, 2003; Cormier et al., 2005). These authors give more weight to quantitative types of information reported about a theme than to non-quantitative information about a theme. These authors used a coding scale of 1 to 3

for each item of the environmental disclosure in which 1 is awarded for general disclosure about an item, 2 for specifically described item, and 3 for quantitative or monetary information about an item. There are some problems associated with this scale. Firstly, information can be disclosed in both a specific and a quantitative way about a theme. This scale will give a score of 3 to a company, which discloses only quantitative information equal to the score of a company, which discloses both specific and quantitative information about a theme. For example:

*“The company continues to invest in the professional development and capacity building of its employees. Various in-house and external training programs, seminars, and workshops in the areas of management, plant operation and maintenance, information technology, and finance were arranged. A total of three hundred and thirty five employees attended.”(Dawood Hercules chemical limited 2010 annual report, p.37).*

Dawood Hercules Chemical Limited has made both specific (e.g. in-house training, external training, seminars and workshops) and quantitative disclosures (e.g. 335 employees attended) about ‘employees training and development’ theme. According to the above mentioned coding criteria, this statement will be given score 3. This scale undermines the disclosure score of Dawood Hercules Chemical Limited. Secondly, this scale considers externally verified information (e.g. CSR awards, environmental protection awards, and perception measure (i.e. customers’ surveys)) as general disclosure. This research takes the view that externally verified information is more valuable than solely quantitative types of information.

Raar (2002) used a 7 point ranking and weighting system, presented below, to measure environmental disclosures quality of Australian companies:

- 1- Monetary disclosure
- 2- Non-monetary disclosure
- 3- Qualitative disclosure
- 4- Qualitative + monetary disclosure
- 5- Qualitative + non-monetary disclosure
- 6- Monetary + non-monetary disclosure
- 7- Qualitative + non-monetary + monetary disclosure

This ranking and weighting system is also not free from weaknesses. Raar (2002) has given weight 3, 2, and 1 to qualitative, non-monetary and monetary disclosures about a theme respectively. In the light of these weights, monetary plus non-monetary disclosures about a theme should have less weight than qualitative plus non-monetary disclosures, because qualitative disclosure has been given more weight than non-monetary and monetary disclosure. Thus, this ranking scale is internally inconsistent. This ranking scale contradicts the results of Robertson and Nicholson (1996). Robertson and Nicholson (1996) conducted a survey of managers and analysts, in which they found that fund managers and analysts gave more value to externally monitored (e.g. ISO 14000) and quantitative information than non-quantitative information. It happens because fund managers may make a reasonable estimate of a company's performance on the basis of quantitative information rather than non-quantitative types of information. In addition to this, this coding scale contradicts the coding scale developed by Cormier and Magnan (1999), Cormier and Magnan (2003), and Cormier et al. (2005), published in three star journals.

Van Staden and Hooks (2007) have established 5 point scale, mentioned below, to assess environmental disclosures quality:

- 0- No disclosure
- 1- Minimum coverage or a little detail (general term)

- 2- Descriptive (covers general disclosures about the environmental impacts of companies and their policies)
- 3- Quantitative (covers specific disclosures, defined in monetary terms or actual physical quantities, about the environmental impacts)
- 4- Truly extraordinary (Benchmarking against best practices).

This weighting scale is similar to that used by Cormier and Magnan (1999), Cormier and Magnan (2003), and Cormier et al., (2005) and has similar problems.

Similarly to the above mentioned rating scales Toms (2002)<sup>32</sup> and Hasseldine et al. (2005)<sup>33</sup> both used 5 point rating scale, presented below, to measure environmental disclosures quality:

- 0- No disclosure
- 1- General disclosure
- 2- Specific endeavours: policy only
- 3- Specific endeavours: policy specified
- 4- Implementation and monitoring: use of targets and quantitative results were not published
- 5- Implementation and monitoring: use of targets and quantitative results were published

Hasseldine et al. (2005) discuss in their article that this is a very subjective method for calculating environmental disclosures quality. It can be argued that an item containing many points on the scale can reduce the reliability of the measurement because many points will lead to a subjective judgement of the measurement.

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<sup>32</sup> Toms (2002) conducted a study to check the relationship between environmental quality disclosure and environmental reputation and found a significant relationship between them.

<sup>33</sup> Hasseldine et al. (2005) conducted a study to check the influence of the quality and quantity of environmental disclosures, by the public listed companies, on environmental reputation and found that quality of environmental disclosure has stronger influence on environmental reputation among investors and executives.

Therefore, developing a ranking system based on fewer scale points will generate reliable results.

Considering the weaknesses of the above mentioned ranking scales, this research uses a ranking scale based on the three types of information (i.e. goals and objectives, management approach and performance indicators) reported on a theme (Bouten et al., 2011). Bouten et al. (2011) defined the three types of information based on work of Robertson and Nicholson (1996) and Vonjijjarvi (2006):

- 1- Vision/goal (VG) includes disclosures related to aims and values. This recognises the value given by the firm to corporate social responsibility issue (i.e. to reduce energy consumption).
- 2- Management Approach (MA) includes disclosures related to actions or practices (e.g. installation of energy saving bulbs), similar to Vuontisjarvi (2006), adapted to address CSR issues (e.g. save energy).
- 3- Performance indicators (PI) include disclosures, similar to Vuontisjarvi (2006), about the actual achievements of a company. It includes outputs (e.g. the decline in industrial accidents, emissions reduced, waste handled and number of people trained etc.), inputs (e.g. donations and philanthropic activities etc.) and perception measures (e.g. surveys) (Vuontisjärvi, 2006).

Thus, in this study, the unit of analysis used to measure quality of disclosures is the types of information (i.e. vision/goals, management approach, and performance indicators) disclosed about a theme. There are some reasons to use the types of information as characteristics of CSR disclosure quality. Firstly these characteristics

are consistent with the three points scoring system proposed by Robertson and Nicholson (1996)<sup>34</sup>, presented below, to measure CSR disclosure quality.

- 1- Level 1: general rhetoric (includes meaningless, general and vague information not backed by specific objective and actions)
- 2- Level 2: specific endeavours (relates to specific CSR initiatives tied to the company and its environment)
- 3- Level 3: implementation and monitoring (includes providing details of social and environmental audits and review process).

Secondly these characteristics are also consistent with Vuontisjarvi (2006) who used these characteristics to measure human resource disclosure of Finnish companies. Thirdly the information types are easy to trace from annual reports. Fourthly, it is also consistent with the three outcomes (i.e. corporate policies, corporate programmes, and corporate impacts), identified by Wood (1991 cited in Griseri & Seppala, 2010) to judge or measure companies CSR performance. Here vision/goals characteristics cover corporate policies, management approach covers corporate programmes, and performance indicators give an idea of corporate activities' impacts. Practically, it is difficult to isolate corporate activities impacts on society from the impacts of other actors (or events) operating (or occurring) in the society (Griseri & Seppala, 2010). Fifthly, the types of information are among the disclosure quality attributes mentioned by Hammond and Miles (2004)<sup>35</sup> and Brammer and Pavelin (2008)<sup>36</sup>.

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<sup>34</sup> Robertson and Nicholson's (1996) proposed measure of CSR disclosure quality was used by Toms (2002) and Hasseldine et al. (2005).

<sup>35</sup> Hammond and Miles (2004) identified: quantitative disclosure, third party verification, establishment of appropriate targets, reporting progress against targets, adoption of reporting guidelines, ability to assess performance from disclosure, visible statement of vision, complete coverage of CSR issues, reporting normalized data, and achievement of awards as attributes of CSR disclosure quality.

Finally, Hammond and Miles (2004) conducted semi-structured interviews with 31 corporate executives and 6 representatives from quality assessors (i.e. OXERA, BIE, ACCA ERA, and SustainAbility) and found that quality assessors gave more prominence to the establishment of targets, embeddedness of processes (or actions), and whether the reporting of progress was up to date as attributes of disclosure, while corporate executives considered quantitative and third party verification as attributes of disclosure quality. For these reasons the three types of information (i.e. vision/goals, management approach, and performance indicators) are considered as characteristics of CSR disclosure quality.

The types of information disclosed about a theme can be better explained by the following examples. For example: a corporation reports that they are committed to reduce pollution and that they have installed a carbon collection plant, worth Rs.50million, which reduced 20 tons of carbon dioxide (tCO<sub>2</sub>e). In another example: a corporation reports that they are committed to reduce energy usage and the corporation has installed 50 thousands energy saver bulbs to save energy. With help of these examples, the following table explains the three types of information.

**Table 5.4: Types of information about a theme**

Example	Vision/goals	Management approach	Performance indicators
Item 1	To reduce pollution	Installation of carbon collection plant	Reduced 20tCO <sub>2</sub> e (measured in outcome terms) & Rs.50million (measured in input term)
Item 2	To reduce energy usage	Installation of energy server bulbs	Installation of 50 thousands energy saver bulbs (measured in input terms)

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36 Brammer and Paveline (2008) mentioned following attributes of environmental disclosure quality: reporting of formal targets, specific actions, environmental impacts, and information about external audit.



The types of information about a theme (e.g. environmental pollution) will be used as base to calculate quality score of each CSR disclosure theme. However, the calculation of the quality score of each theme will be discussed in detail measurement of dependent variable.

#### **5.2.1.4 Reliability and Validity of the Content analysis**

A principal requirement of content analysis is to ensure the objectivity, systematicness, and reliability of the data (Krippendorff, 1980). Objectivity requires that an independent coder should be able to decide what CSR disclosure is and what is not, while systematicness requires an exhaustive list of items to determine CSR disclosure and its themes in a mutually exclusive manner (Gary et al., 1995b). Reliability refers to the degree of consistency among the multiple measurements of the variable. Milne and Adler (1999) argue that reliability involves two distinct but related issues.

1. Reliability of coded data (can be achieved by employing multiple coders and comparing results)
2. Reliability lies with the coding instrument itself (a well-defined decision dimensions and rules may produce few discrepancies, even when used by inexperienced coders).

Thus the reliability characteristic covers other characteristics (i.e. objectivity and systematicness) of content analysis. Krippendorff (1980) mentioned three types of content analysis reliability: 1) stability, 2) reproducibility and 3) accuracy and each of these is explained below:

1. Stability refers to the ability of a coder to code the data in the same way over a period of time. If one coder analysed one annual report and after some time (say two weeks) he analysed the same report, the results would remain same. This would show that the content analysis has perfect stability. This may also be called intra-coder reliability. According to Milne and Adler (1999), it is the weakest test of reliability.
2. Reproducibility refers to the ability to produce the same results when other coders are involved in the coding process (Weber, 1988 cited in Milne and Adler, 1999). It is also called inter-coder reliability.
3. Accuracy refers to comparing the coding performance against the standards set by experts of CSR disclosure field or determined by previous studies or experiments. According to Milne and Adler (1999), accuracy reliability can be measured by calculating the reliability coefficient by using each coder's ex-ante coding decisions against group ex-post coding decisions (Milne & Adler, 1999). This measure is used to check the reliability of the research instrument (Milne & Adler, 1999). According to Rahman and Post (2012) and Cortina (1993) internal consistency can be checked by checking the internal reliability of an instrument.

However, various researcher such as Milne and Adler (1999), Newson and Deegan (2002), and Rehman and Post (2012) have used the reproducibility reliability to check the reliability of the content analysis research instrument. There are several statistical measurements such as Coefficient of agreement, Krippendorff's  $\alpha$ , Scott's  $\pi$  and Cohen's Kappa which can be used to check reproducibility reliability (Milne &

Adler, 1999). The coefficient of agreement, the simplest measure, is measured by calculating the ratio of the number of inter-coder agreements to total pair-wise judgements (Milne & Adler, 1999). This measure is criticised for ignoring the chances of randomness in agreements. As the number of coding categories decreases the likelihood of agreement between/among coders will increase and the coefficient of reliability will overestimate the coders' reliability. To incorporate the chance component (i.e. randomness), other measures of reproducibility reliability (i.e. Krippendorff's  $\alpha$  and Scott's  $\pi$ ) were suggested/used by Milne and Adler (1999) and Newson and Deegan (2002). Similarly, in order to incorporate chance, Cohen (1960) Kappa was used by Rahman and Post (2012). Krippendorff's  $\alpha$  and Scott's  $\pi$  have also been criticized as conservative measures of reliability (see Milne & Adler, 1999). Hayes and Krippendorff (2007) have stated that Krippendorff's  $\alpha$  is the standard reliability measure and can be used regardless of number of cases, the presence or absence of missing information, the level of measurement, and the number of observers. In addition to this, Cronbach's Alpha ( $\alpha$ ) is used to measure the internal consistency of the CSR disclosure instrument. Both measures (i.e. reproducibility reliability and internal consistency reliability) were investigated by Rahman and Post (2012) to ensure reliability of their instrument. Thus, in the light of previous CSR disclosure studies and the strength of reliability measures, this research uses the reproducibility (inter-coder) reliability and the internal consistency reliability measure to ensure the reliability of the content analysis. These two measures also address the concerns of Milne and Adler (1999) highlighted above.

### 5.2.2 Survey (Questionnaire)

The survey is the second research method and is used in this research to answer the third research question which focuses on determining the non-observable factors which are considered important for the disclosure (or non-disclosure) of CSR information in the annual reports. The survey collects data on managers' perceptions about CSR, managers' attitudes towards CSR disclosure, the level of importance managers attach to specific factors in disclosing CSR information, and managers' opinion about the non-disclosure of CSR information. This information can be collected through multiple research methods but the researcher has selected the questionnaire method for several reasons. Firstly questionnaires remain a popular method among previous studies accomplishing similar purposes (e.g. seeking managers' views on CSR disclosure or environmental disclosure as a dimension of CSR disclosure) (see Deegan & Rankin, 1997; Jaggi & Zhao, 1996; Thompson & Cowton, 2004; Wilmshurst & Frost, 2000). Parker (2005) has endorsed the popularity of the survey method through a review of social and environmental accountability studies published in four reputable accounting journals<sup>37</sup> over a period of 15 years (1988-2003). He reports that 15% of such studies employed survey research method. Secondly, several studies have already identified the reasons or motivations for disclosure (or non-disclosure) of CSR information in developing countries' context (see Haniffa & Cooke, 2005; Islam & Deegan, 2008; Belal & Owen, 2007; Belal & Cooper, 2011) which may be applicable to the context of Pakistan. To incorporate these reasons into this research and explore the factors influencing CSR disclosure (or non-disclosure) in Pakistani context, the questionnaire was employed. Further, it

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<sup>37</sup> Accounting , Auditing, and Accountability Journal (AAAJ); Accounting Forum (AF); Critical Perspectives on Accounting (CPA); and Accounting, Organizations and Society (AOS)

is an efficient method for collecting data from a large sample (Bryman & Bell, 2007; Saunders, Lewis, & Thornhill, 2007). Finally, the data collected through the questionnaire can be used for further statistical analysis (Saunders et al., 2007; Bryman & Bell, 2007).

Before designing the questionnaire, the researcher extensively reviewed the literature to identify the factors influencing/motivating CSR disclosure (or non-disclosure) in the annual reports. The design of the questionnaire is considered to be important in improving the reliability, the validity and the response rate (Bryman & Bell, 2007; Dillman, Smyth, & Christian, 2009; Saunders et al., 2007). The design can be improved by (1) the appropriate design of the individual question, (2) the appropriate layout of the questionnaire, (3) the explanation of the purpose of the study, (4) the pilot testing of the questionnaire, and (5) and careful and planned questionnaire administration (Dillman et al., 2009; Saunders et al., 2007).

#### **5.2.2.1 Designing the individual question**

In designing an individual question the wording, the language, and the type of each question (i.e. open ended and close ended) are very important because a respondent's response depends upon how the question is asked (Malhotra, 2010; Saunders et al., 2007). Thus the question must be designed considering the requirements of the data to be collected. There is no single accepted method to ensure that the data collected through the questionnaire will enable the researcher to achieve the research objectives (Saunders et al., 2007). The most appropriate method is to prepare a data requirement table which includes information about the research questions, the research objectives, the variables required to meet the research objectives, and the level of measurement of each variable that will help in

answering the research questions (Saunders et al., 2007). In order to maximize the validity of the data collected through the questionnaire in terms of answering the research question, the researcher has prepared a data requirement table (see Table 5.5).

**Table 5.5: Data requirement Table for second research question**

Research Question	Research Objectives	Variable Required	Details in which data is measured
<b>What are the factors (non-observable) influencing CSR disclosures (in the annual reports) by Pakistani companies?</b>	What are managers' perceptions about socially responsible behaviour?	To achieve this objective both 'business oriented' and 'ethically natured' statements were included in the questionnaire in order to find out how managers interpret CSR and to know nature of perception about CSR behaviour. It will help in understanding CSR disclosure <b>-Each statement is considered one variable and these are opinion variables</b>	Each variable is measured on the scale ranging from 1 (strongly disagree) to 5 (strongly agree)
	What is managers' attitude towards CSR disclosure?	Attitude towards CSR disclosure scale contains four items and have been adopted from Jaggi and Zhao (1996)... Favourable attitude towards CSR disclosure more likely to result in CSR disclosure <b>-Each scale item is considered one variable and these are opinion variables</b>	Each variable is measured on the scale ranging from 1 (strongly disagree) to 5 (strongly agree)
	What factors are considered to be important by the management in disclosing CSR information in the annual reports?	List of factors influencing CSR disclosure was identified based on previous literature in the disclosure field (see questionnaire in the Appendix 09)... based on mean scores important factors can be identified.. and can be used for further analysis <b>-each identified factor is considered one variable and these are behavioural variables</b>	Each variable is measured on a scale ranging from 1 (totally unimportant) to 5 (very important)
	What is the relationship between the importance attached to specific factors and the actual disclosure?	<b>-No need to collect additional data to achieve this objective.</b> data collected through other questions in the questionnaire and content analysis result will be used to achieve this objective	Included above
	What factors are causing non-disclosure of CSR information in the annual reports?	A list of factors negatively influencing CSR disclosure was identified based on previous literature in the disclosure field. Important factors can be identified based on mean scores. This will help in interpreting content analysis results <b>-each identified factor is considered as one variable and these are opinion variables (in terms of their individual believes)</b>	Each variable is measured on the scale ranging from 1 (strongly disagree) to 5 (strongly agree)
	What is the difference in Managers' attitude towards CSR disclosure with respect to their age, gender, education, CSR related training programmes attended, number of organizations worked before joining this organization	Age of the CFO/CEO Gender of the CFO/CEO Education of the CFO/CEO CSR training programmes attended by CFO/CEO Number of organizations worked for before joining this organization <b>(All the variables are attribute variables)</b>	

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**Note: The detail of references of items and their measurement included in the questionnaire has been mentioned in the final questionnaire (see Appendix 9).**

To ensure the appropriate wording and types of questions in the questionnaire, the questionnaire was constructed based on the relevant literature and targeted to achieve similar research objectives (see Jaggi & Zhao, 1996; Wilmshurst & Frost, 2000; Zu & Song, 2009). Moreover, the researcher asked short and simple questions and avoided the use of jargons and technical terms, 2) double barrel questions (i.e. asking two questions within one questions), 3) leading questions, 3) and double negative sentences in the questionnaire, as suggested by Malhotra (2010), Bryman and Bell (2007), and Dillman et al., (2009).

In designing the questionnaire both open ended and closed questions can be used. In open ended questions a respondent is asked to write his/her answer in the provided space against each question, while in closed questions a list of response categories are provided against each question and a respondent is asked to choose among the options provided. Both types of questions have their own advantages and disadvantages. The first advantage associated with open ended question is that it provides rich data (Malhotra, 2010). Secondly, open ended questions have less bias than close ended questions (Malhotra, 2010). Despite its advantages, the coding of the responses to open ended questions is time consuming and costly; and the analysis of the open ended questions is very difficult (Malhotra, 2010). Moreover, there is the chance of a low response rate because respondents may be reluctant to answer questions which requiring writing (Dillman et al., 2009; Malhotra, 2010). Compared to open ended questions, closed questions are quick and easy to answer, and require minimal writing (Bryman & Bell, 2007; Saunders et al., 2007). Moreover, the closed questions are well structured and easy to analyse. However, the problem

associated with closed questions is that the data collected through closed questions lacks depth and variety (Malhotra, 2010). In addition to this, there is a greater possibility of investigator-bias because the researcher may include those response categories in which he is interested in or which come to his mind. Considering the advantages and disadvantages of both open ended and close ended questions, the researcher preferred to use closed ended questions because of the disadvantages associated with open ended question are more than the advantages of using open ended questions in the questionnaire. However, in order to address the disadvantages associated with closed ended questions and to provide space for the respondents to provide additional information/comments, where possible the researcher has provided additional space at the end of some questions in the questionnaire (see questionnaire in Appendix 9). This allows the researcher to get additional answers. Closed ended question can be of six types: list, category, ranking, rating, quantity and grid (see Saunders et al., 2007). In this questionnaire only category and rating questions are used. The category question is a type of question where a list of responses is provided alongside a question and the respondent is asked to select only one. Rating questions are mostly used for opinion data collection using a four, five, six and seven point Likert scale (Saunders et al., 2007). However, based on previous research studies which have a similar research aim (see Jaggi & Zhao, 1996; Wilmshurst & Frost, 2000; Zu & Song, 2009), this research uses a 5 point Likert scale.

As far as the issue of language is concerned, this research is conducted in Pakistan where English is an official language and Urdu is a national language. This questionnaire was constructed based on studies conducted in English language (see Haniffa & Cooke, 2005; Jaggi & Zhao, 1996; Wilmshurst & Frost, 2000). In this



research CEOs and/or CFOs are respondents<sup>38</sup> and it is assumed that they would not face any problem in answering questions written in English language. However, for the ease of the respondents, the English version of questionnaire was also translated into Urdu by using 'mixed translation technique' (for details see translation of the questionnaire section).

#### 5.2.2.2 Layout of the questionnaire

The layout of the questionnaire is also very important for collecting responses from the respondents. As suggested by Saunders et al. (2007) and Dillman et al. (2009), the questionnaire should have a professional appearance and should be attractive to the respondents. In this research, the researcher used a professional website ([www.qualtrics.com](http://www.qualtrics.com)) to build the questionnaire to make it attractive to the respondents (i.e. CEOs or CFOs here). Moreover, it has been argued that a short questionnaire is more likely to result in a better response rate than a long questionnaire (see Edwards et al. 2002). The questionnaire used for this research is equivalent to four A4 pages. According to Saunders et al., (2007) a self-administered questionnaire with a length of 4-8 A4 pages is considered acceptable within organizations. In addition to the layout of the questionnaire, it is important to make the order and the flow of the questions logical (Dillman et al., 2009; Saunders et al., 2007). To make structure of the questionnaire logical, Saunders et al. (2007) and

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<sup>38</sup> There are some reasons, mentioned below, to select senior managers.

1. Senior executives might have a broader perspective on the corporate policies and practices and would be in a better position to address the reasons for CSR disclosure.
2. Senior executives might have input in information disclosed in corporate annual reports.
3. Senior executives may be prone to outside pressures/demands for CSR disclosure, and so may be better aware of the demands and pressures imposed on the company.

Dillman et al. (2009) suggested to group questions in the questionnaire to make them more useful and to include slightly complex questions in the middle of the questionnaire. In this questionnaire, the researcher grouped the questions into four groups: 1) managers' perceptions about CSR and their attitude towards CSR disclosure, 2) reasons for the presence of CSR disclosure in the annual report of the respondent's company, 3) reasons for the absence of CSR disclosure in the annual reports, and 4) top executives' personal information. Moreover, the researcher included questions regarding factors influencing CSR disclosure in the annual report of the respondent's company in the middle of the questionnaire because the respondent may be a slightly reluctant to talk about factors influencing his/her company. Thus this questionnaire has an appropriate layout and logical structure of the questions that may result in better response rate.

#### **5.2.2.3 Explaining the purpose of the questionnaire**

It has been argued in the literature that questionnaire accompanying a covering letter, explaining the purpose of the study, results in increase in response rate (Dillman, 2000; Dillman et al., 2009; Saunders et al., 2007). To enhance the response rate, in this research, both the versions of the questionnaire accompanied the covering letter containing information about the title of the research, logo of the university, contact details, purpose of the research, and how the respondent was selected. Later on, both versions of the questionnaire, along with the covering letters were sent to top executives (particularly CFOs or CEOs) by both email and post.

#### 5.2.2.4 Pilot testing of the questionnaire and assessment of its validity and reliability

Before the final data is collected through the questionnaire, it was decided to conduct a pilot test of the questionnaire to ensure that respondents are not facing any problem in filling the questionnaire, and to assess the validity of the questions included in the questionnaire and the likely reliability of the data to be collected through the same questionnaire (Bryman & Bell, 2007; Dillman et al., 2009; Saunders et al., 2007). Before conducting the pilot test, after the development of the questionnaire based on previous studies (particularly Belal & Owen, 2007; Haniffa & Cooke, 2005; O'Dwyer, 2002 and based on the interviews with three CEOs) and continuous feedback from my research supervisors, the pilot was sent to an academic researcher in the CSR disclosure field at Middlesex University. After making the recommend changes, the resultant questionnaire was given to four Pakistani PhD students in the field of marketing and accounting (2 of them employed the questionnaire survey method in their research) to identify any ambiguity in understanding the questions and the instructions stated in the questionnaire. Then a discussion was held with them and they showed their complete understanding of the questions stated in the questionnaire. However, they highlighted few grammatical/structural challenges and difficult words in the questionnaire. After the discussion, the researcher made some changes in the questionnaire accordingly. Later on, the updated questionnaire was sent to three CEOs (2 from manufacturing firms and one from service sector)<sup>39</sup> and they were asked to comment on the representativeness, the suitability of the questions, and the structure of the

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<sup>39</sup> Because the final sample includes both financial and non-financial firms

questionnaire. They suggested a few changes be made in the questionnaire in order to make it more meaningful and understandable to the respondents, and to cover a comprehensive list for factors influencing CSR disclosure (or non-disclosure). The first CEO recommended me that I should replace a few words with more suitable words in the questionnaire. The second CEO asked me to add one factor (i.e. cost of CSR reporting) to the factors influencing non-disclosure of CSR information in the annual reports. The third CEO asked that this questionnaire comprehensively cover all of the factors influencing CSR disclosure (or non-disclosure). Thus favourable feedback from experienced people in the manufacturing and service industry ensures the content validity of the questionnaire.

After the finalization of English version of the questionnaire, the researcher translated the English version of the questionnaire by using mixed translation technique into 'Urdu', a national language of Pakistan. How the questionnaire was translated into Urdu language is discussed in the following heading. After the translation, the researcher had two versions (English and Urdu) of the questionnaire and these were sent to two CEOs (one was given English version and other was given Urdu version) and four PhD students (two were given English version and other two were given Urdu version of the questionnaire) from Pakistan to fill the questionnaires and asked them to highlight any ambiguity in understanding the questions, answering the questions, and understanding the instructions of the questionnaire. Later on, the researcher checked all of the completed questionnaires and asked the respondents to express any difficulty they found in filling the questionnaire. They responded that they have not faced any problem in understanding and answering the questions which were included in the

questionnaire. Thus the reliability and suitability of the questions included in the questionnaire is ensured.

#### 5.2.2.4.1 Translation of the questionnaire

In translating the original questionnaire in to another language, to ensure that respondents of both language questionnaires have interpreted in the same way, attention should be paid to the lexical meaning (precise meanings of individual words), idiomatic meaning (meaning of group of words), the grammar and syntax, and experiential meaning (meaning of words in routine life) (Usunier, 1998). There are several techniques - for example direct translation, back translation, parallel translation, and mixed techniques - which could be used to translate the source language questionnaire<sup>40</sup> into the target language questionnaire (Saunders et al., 2007; Usunier, 1998). Every technique has some advantages and disadvantages which can be seen from Table 5.6:

**Table 5.6: Advantages and Disadvantages of translation techniques**

	<b>Direct Translation</b>	<b>Back Translation</b>	<b>Parallel Translation</b>	<b>Mixed techniques</b>
<b>Process</b>	S => T	S => T; T => S' Comparison of S to S' => final version of T <sub>f</sub>	S => T; S => T' Comparison of T to T' => final version of T <sub>f</sub>	S => T; S => T' T => S'; T' => S'' Comparison of S' to S'', decentering of S => final version of T <sub>f</sub>
<b>Advantages</b>	Easy to implement	Ensures the identification of most translation errors	Leads to good wording of target questionnaire	Ensures the best fit between the source and the target versions
<b>Drawback/ Constraints</b>	Leads to translation errors and discrepancies between S and T	Requires two translators; one native speaker of S and one native speaker of T	Does not ensure that specific meaning is S is fully taken in the T	Costly to implement; difficult to find translators; source questionnaire may also be changed

S= Source Language, T = Target Language (translators or versions)

Source: Adopted from Usunier (1998) 'Translation techniques for questionnaires' in International and Cross-Cultural Management Research

<sup>40</sup> A source language questionnaire is a questionnaire that is to be translated and the target language questionnaire is the questionnaire that results from translation of the source language questionnaire (Saunders et al., 2007)

Among the translation techniques, back translation<sup>41</sup> is the most widely used technique (Douglas & Craig, 2007; Saunders et al., 2007; Usunier, 1998) for checking the accuracy of translation (Douglas & Craig, 2006). This technique helps in identifying the egregious problems of translation but it does not ensure equivalence of meanings and constructs in different languages' country context (Douglas & Craig, 2007). In addition to this, it provides a limited choice of words for the translated questionnaire because only one person is translating the source language questionnaire into the target language questionnaire. Parallel translation<sup>42</sup>, on the other hand, provides the benefit of good wording of the target questionnaire but the problem with this technique is that it does not ensure equivalence of meaning of questions between the source questionnaire and the target questionnaire (Usunier, 1998). Thus both the techniques have some advantages and drawbacks. It will be more plausible to combine both techniques in order to capitalize the advantages associated with each technique to produce best translation of the source language questionnaire. It is argued in Usunier (1998) that a combination of both techniques will provide a high level of equivalence between the source language questionnaire and the target language questionnaire. In mixed techniques, the researcher employed four persons (2 of them are lecturers of English and other two are lecturers of business administration) in the translation process. Firstly, two people (lecturer in business administration) independently translated the English

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<sup>41</sup> In back translation, a native speaker of target language translates the source language questionnaire (S) into the target language questionnaire (T), and a native speaker of source language independently translates back the translated version (T) into the source language questionnaire (S'), later these source language questionnaires (e.g. S and S') are compared to finalize the target language questionnaire (Douglas & Craig, 2007; Usunier, 1998)

<sup>42</sup> In parallel translation techniques two translators independently translate the source language questionnaire into the target language questionnaire; later the resultant targeted questionnaires are compared to create a final version of the target language questionnaire (Usunier, 1998).

language questionnaire into the Urdu language questionnaire (i.e.  $S \Rightarrow T$ ;  $S \Rightarrow T'$ ). The other two people (lecturers in English) then independently translated questionnaires back into the English language (i.e.  $T \Rightarrow S'$ ;  $T' \Rightarrow S''$ ); later, the resultant English language questionnaires ( $S'$  and  $S''$ ) were compared by the researcher to identify the discrepancies and the reasons for this. The researcher found a few discrepancies between the two new English language questionnaires. The researcher identified that some of the discrepancies are due to errors on the behalf of Urdu language translators and some on the behalf of English language translators. Some of the discrepancies also were also due to the use of different words in the translation process. Later, a discussion was held among the team of four people (the same translators) regarding the selection of more suitable words to be used in the English and the Urdu version of the questionnaire in order to avoid discrepancies in the meaning of the questions and items included in both the questionnaires. During the discussion, the main focus was on choosing more suitable words for the Urdu language questionnaire because the researcher had already ensured the understandings of the questions included in the English version of the questionnaire to the respondents (e.g. company CEOs here). However, after the discussion changes of a few words were made in the English language questionnaire. Thus through the collaboration of four translators, two versions (English and Urdu) of the questionnaire were obtained. Later, to ensure that accurate grammar and syntax have been used in the Urdu version it was reviewed by a professor of Urdu in Pakistan. Finally, to ensure that every respondent clearly understands the questions and instructions included in both of the questionnaires, the researcher pilot tested with 2 CEOs (one was given the English version of the questionnaire and second was given the Urdu version of the questionnaire) and four

Pakistani PhD students (two students were given the English version and the remaining two student were given the Urdu version of the questionnaire). All of the people included in the pilot test showed a complete understanding of the questions and instructions included in the questionnaire (for details see the pilot study section). Through this process the researcher obtained two versions (English and Urdu) of the questionnaire.

Note: The English version of the questionnaire along with covering letter was translated into 'Urdu' using mixed translation technique.

#### **5.2.2.5 Administration of the Questionnaire**

There are two broad types of questionnaires: self-administered questionnaire and interviewer administered questionnaire (Bryman & Bell, 2007; Saunders et al., 2007). In self-administered questionnaire, respondents fill the questionnaire without the interference/help of the researcher (Bryman & Bell, 2007). This type of questionnaire can be administered through the internet (internet mediated or intranet mediated questionnaire), by post (the questionnaire is sent by post/mail and asked to return the filled questionnaire usually by post through envelop provided), and the delivery and collection method (the questionnaire is delivered by hand to each respondent and is collected later) (Saunders et al., 2007). In interviewer administered questionnaires, the interviewer records the responses provided by the respondent (Saunders et al., 2007). This type of questionnaire can be administered through face to face interview (also called a structured interview<sup>43</sup>) or a structured telephonic interview. In this research a self-administered questionnaire is used. Self-

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<sup>43</sup> In a structured interview, the interviewer asks the same set of questions in the same sequence from every respondent and with the same set of answer options (Bryman & Bell, 2007). In other words, it promotes the standardization in terms of both asking questions and recording answers.



administered questionnaire, when compared to the interviewer administered questionnaire, has some advantages. Firstly, it is cheaper to administer, especially when the data is to be collected from a geographically dispersed population. This advantage is less prominent when a researcher is administering a questionnaire through telephone. But in comparison to telephonic questionnaire administration, the self-administered (particularly postal) questionnaire is still less costly (Bryman & Bell, 2007; Saunders et al., 2007). Secondly it is quicker to administer than interviewer-administered questionnaires because a large quantity of self-administered questionnaire can be sent via different mediums (internet or post). In the case of interviewer administered questionnaire, even by employing a team of interviewers, it will take a long time to conduct the interviews (Bryman & Bell, 2007). Thirdly, it has been argued that interviewer characteristics for example ethnicity, gender, and social background may cause bias to answers provided by the interviewees. In self-administered questionnaire the interviewer is not present, so the interviewer-bias is not prevalent (Bryman & Bell, 2007; Saunders et al., 2007). Lastly self-administered questionnaire are more convenient than interviewer administered questionnaires because a respondent can fill the questionnaire in at a time and with the speed convenient to him (Bryman & Bell, 2007). In addition to these advantages some disadvantages are associated with a self-administered questionnaire. The first disadvantage is that the respondent cannot get help if he is facing any difficulty in answering the questions (Bryman & Bell, 2007). This disadvantage was minimized by including clear and unambiguous questions in the questionnaire and by providing respondents with clear instructions for filling in the questionnaire. Secondly, the number of open ended questions included in the questionnaire must be minimized (Bryman & Bell, 2007). This research questionnaire does not include open ended

question, other than where it provides the opportunity for the respondents to provide additional answers. Thirdly, in postal questionnaires, it is difficult to identify who is filling in the questionnaire (Bryman & Bell, 2007; Saunders et al., 2007). This disadvantage may not apply here because the researcher is primarily administering the questionnaire through the internet by sending participants a link (through email) to fill the questionnaire online. It is stated in Saunders et al. (2007) that users usually read and respond to their emails themselves. To ensure that the concerned person is filling the questionnaire, the researcher has included a question regarding the designation of the respondent in the questionnaire.

In this study, the researcher is interested in knowing the opinions and experiences of top executives (e.g. CFOs or CEOs), who are assumed to be computer literate, of 120 companies operating in Pakistan. These companies are geographically dispersed in the country (i.e. Pakistan). Due to the computer literacy of the respondents, the geographically widespread nature of the large sample and the mostly close-ended types of questions in the questionnaire, the researcher has preferred to administer the self-administered questionnaire through internet. The internet mediated self-administered questionnaire overcomes the disadvantages associated with postal questionnaires. The Internet mediated self-administered questionnaire is preferred over other ways (e.g. postal questionnaire or delivery and collection) of administering the self-administered questionnaire. By using internet-mediated self-administered questionnaire the researcher can ensure who is filling the questionnaire (Saunders et al., 2007). Moreover the response time (2-6 weeks) for internet mediated questionnaire is slightly less than for other methods i.e. the postal and the delivery and collection questionnaire (4-8 weeks). But the non-availability of the email address for some companies may cause a sampling bias (Saunders et al.,

2007). To avoid this problem, the researcher also used postal questionnaire along with internet mediated self-administered questionnaire to collect the data.

### 5.3 Data Analysis Techniques

The data collected from the content analysis helps to answer the first two research questions, while the data collected through questionnaire helps in answering the third research question. The first research question focuses on describing and understanding the quantity and quality of CSR disclosure. To answer this question, the researcher uses basic descriptive and parametric statistical tests (for details see Chapter 6). The third research question focuses on determining non-observable factors which are considered important for the disclosure (or non-disclosure) of CSR information in the annual reports. The researcher uses basic descriptive and inferential statistics, and step-wise regression techniques to answer this research question (see Chapter 8). The second question of the research focuses on the observable factors which influence the quantity and quality of CSR disclosure and its dimensions. These factors relationship with the quantity and quality of CSR disclosure and its dimensions have already been hypothesised in Chapter 4. To investigate these relationships, this study uses fifteen multiple linear pooled regression models (e.g. 3 for CSR disclosure, 12 for CSR disclosure dimensions) and each of them will use the same independent variables. The general model of empirical analysis adopted from Adams (2002)<sup>44</sup> is discussed below:

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<sup>44</sup> There are some reasons to use Adams' (2002) model. Firstly, she grouped disclosure determinants into three groups: company characteristics, internal contextual factors, and general contextual factors after reviewing previous disclosure literature. Most of the researchers examined one or two components of this model but it is the comprehensive model, which covers many of the determinants discussed in the previous disclosure studies. Secondly, this model is consistent with the previous literature which says that companies may disclose CSR information due to internal pressures (board of directors) (Haniffa and Cooke, 2005; Haniffa and Cooke, 2002), external pressures (customers (Islam and Deegan, 2008), shareholders (Wilmsrust and Frost, 2000; Amran and Devi, 2007; Amran and Devi, 2008; Tegesson et al., 2009), investors

$$\text{Disclosure} = f(\text{Company Characteristics, General Contextual Factors, Internal Contextual Factors})$$

This general model can be further explained as:

$$\text{Disclosure}_{it} = \alpha_1 + \beta_1 \text{CS}_{it} + \beta_2 \text{CP}_{it} + \beta_3 \text{ES}_{1it} + \beta_4 \text{Cpr}_{it} + \beta_5 \text{MNSs}_{it} + \beta_6 \text{AF}_{it} + \beta_7 \text{IS}_{it} + \beta_8 \text{FS}_{it} + \beta_9 \text{GS}_{it} + \beta_{10} \text{Leverage}_{it} + \beta_{11} \text{CSR\&N}_{it} + \beta_{12} \text{NGOs}_{it} + \beta_{13} \text{CSRSSI}_{1it} + \beta_{14} \text{CSRSSI}_{2it} + \beta_{15} \text{NEDB}_{it} + \beta_{16} \text{CMD}_{it} + \beta_{17} \text{NEDAC}_{it} + \text{Year dummy} + \varepsilon_{it}$$

This pooled regression model has accounted for company differences (or company heterogeneity) by including company characteristics (e.g. size, profitability, environmental sensitivity etc.), membership of several institutions, ownership structures, and governance structural elements/variables, considered to be important determinants of CSR disclosure in the previous disclosure studies, in the model. In addition to this, this model includes a year dummy to account for year/time differences (i.e. disclosure may change with the passage of time). Thus this model takes into account both company heterogeneity and year/times differences in finding the determinants of CSR disclosure<sup>45</sup>.

In this model for a company<sub>i</sub>

Disclosure<sub>i</sub>:

1. CSR<sub>DQ</sub><sub>it</sub> = CSR disclosure quality of i<sup>th</sup> company at time t
2. CSR<sub>DQn</sub><sub>it</sub> = CSR disclosure quantity (extent) of i<sup>th</sup> company at time t
3. CSR<sub>DL</sub><sub>it</sub> = CSR disclosure quantity (level) of i<sup>th</sup> company at time t
4. ED<sub>Q</sub><sub>it</sub> = Environmental disclosure quality of i<sup>th</sup> company at time t

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(Wilmsbrust and Frost, 2000) regulatory bodies (Rahaman et al., 2004; Neu et al., 1998; Huang and Kung, 2010)) and company characteristics (Monteiro and Guzman, 2010; Mahadeo et al., 2011).

<sup>45</sup> It is a version of a fixed effect model or a least square dummy variable (LSDV) regression model. This technique did not include dummy variables for each company, included in the sample, to account for company heterogeneity because the researcher already included various variables, considered important determinants of disclosure, into the regression model. Moreover, the inclusion of dummy variable for each company (i.e. 118 dummy variables) along with other independent variables will sharply consume the degree for freedom (Gujarati and Porter 2009). However, there are other sophisticated techniques, for example the fixed effect (FE) method, but the problem with this method is that it drops time invariant variables from the regression models (Gujarati and Porter 2009). This model includes several dummy variables which will be dropped during fixed effect model. To avoid this, the researcher did not use fixed effect model.

5.  $EDQn_{it}$  = Environmental disclosure quantity (extent) of  $i^{th}$  company at time  $t$
6.  $EDL_{it}$  = Environmental disclosure quantity (level) of  $i^{th}$  company at time  $t$
7.  $HRDQl_{it}$  = Human resource disclosure quality of  $i^{th}$  company at time  $t$
8.  $HRDQn_{it}$  = Human resource disclosure quantity (extent) of  $i^{th}$  company at time  $t$
9.  $HRDL_{it}$  = Human resource disclosure quantity (level) of  $i^{th}$  company at time  $t$
10.  $PCDQl_{it}$  = Products and consumers disclosure quality of  $i^{th}$  company at time  $t$
11.  $PCDQn_{it}$  = Products and consumers disclosure quantity (extent) of  $i^{th}$  company at time  $t$
12.  $PCDL_{it}$  = Products and consumers disclosure quantity (level) of  $i^{th}$  company at time  $t$
13.  $CIDQl_{it}$  = Community involvement disclosure quality of  $i^{th}$  company at time  $t$
14.  $CIDQn_{it}$  = Community involvement disclosure quantity (extent) of  $i^{th}$  company at time  $t$
15.  $CIDL_{it}$  = Community involvement disclosure quantity (level) of  $i^{th}$  company at time  $t$

#### Independent variables

$CS_{it}$  = Company size of  $i^{th}$  company at time  $t$

$CP_{it}$  = Company profitability of  $i^{th}$  company at time  $t$

$ES_{1it}$  = Environmental sensitivity of  $i^{th}$  company at time  $t$

$Cpr_{it}$  = Consumer proximity of  $i^{th}$  company at time  $t$

$MNSS_{it}$  = Multinational subsidiary status of  $i^{th}$  company at time  $t$

$IS_{it}$  = Institutional shareholders of  $i^{th}$  company at time  $t$

$FS_{it}$  = Foreign shareholders of  $i^{th}$  company at time  $t$

$GS_{it}$  = Government shareholders of  $i^{th}$  company at time  $t$

$Leverage_{it}$  = Leverage ratio of  $i^{th}$  company at time  $t$

$CSRF\&N_{it}$  = CSR forums and networks membership of  $i^{th}$  company

$NGOs_{it}$  = NGOs (e.g. WWF) membership of  $i^{th}$  company

$CSRSS_{1i}$  = CSR standards (e.g. SA8000/OHSAS/IIP) of  $i^{th}$  company

$CSRSS_{2i}$  = CSR standards (e.g. ISO14000/ISO9000) of  $i^{th}$  company

$NEDB_{it}$  = Non-executives directors on board of  $i^{th}$  company at time  $t$

$CMD_{it}$  = Multiple directorships of a chairman of  $i^{th}$  company at time  $t$

$NEDAC_{it}$  = Non-executives directors in the audit committee of  $i^{th}$  company at time  $t$

$\beta_1, \beta_2, \dots, \beta_{17}$  are regression coefficients to be estimated

$\varepsilon_{it}$  = Error term of  $i^{th}$  company at time  $t$

$i = 1, 2, \dots, 120$  and  $t = 2008$  and  $2011$

The operationalization of the variables, used in the various regression analysis models, is now discussed.

### 5.3.1 Dependent Variables

The following two sections discuss the measurement of the quantity and quality of CSR disclosure.

#### 5.3.1.1 Quantity of CSR disclosure

The quantity of CSR disclosure is shown by measuring both the extent and the level of CSR disclosures, and both are explained below.

##### 5.3.1.1.1 Extent of CSR disclosure

This research uses a sentence count to calculate the extent of CSR disclosure and its dimensions: environment, human resource, products and consumers, and community involvement. The justification for the use of sentences as a unit of analysis has been presented in the unit of analysis section of the content analysis. Table 5.7 better depicts the measurement of the extent of CSR disclosure and its dimensions.

**Table 5.7: Measurement of CSR disclosure (extent) and its dimensions**

Dependent Variables			Operationalization
CSR Disclosure (CSRQn)	Extent		CSR disclosure (extent) score is calculated by counting the sentences reported about CSR issues.
1- Environmental Disclosure Extent (EDQn)	Disclosure		Contains 5 themes and is calculated by counting the sentences reported about these (five) themes.
2- Human Resource Disclosure Extent (HRDQn)	Disclosure		Contains 8 themes and is calculated by counting the sentences reported about these (8) themes.
3- Product and Consumers Disclosure Extent (PCDQn)	Disclosure		Contains 4 themes and is calculated by counting the sentences reported about these (4) themes.
4-Community Involvement Disclosure Extent (CIDQn)	Involvement		Contains 5 themes and is calculated by counting the sentences reported about these (5) themes.
5- General Disclosure Extent			Is calculated by counting the sentences reported about this category

### 5.3.1.1.2 Level of CSR Disclosure

This research has counted the themes disclosed under the CSR issue in order to calculate the level of CSR disclosure. In measuring the CSR disclosure (level) index, the researcher has accounted for the industry differences (see Table 5.8). For example, the conservation of natural resources and product development themes (includes packaging and making containers reusable) are considered irrelevant to financial and investment firms and therefore are not included in measuring their CSR disclosure index score. The adjustment of industry specific themes in measuring the CSR disclosure (level) index score is consistent with the previous CSR disclosure studies (see Haniffa & Cooke, 2005; Branco & Rodrigues, 2008). The following formula better explains the calculation of CSR disclosure (level).

$$CSRDLI = 1/n(\sum_{i=1}^{n_j} X_{ij})$$

CSRDLI = CSR Disclosure Level Index

$X_{ij} = 1$  if  $i^{th}$  theme of  $j^{th}$  firm was disclosed

$X_{ij} = 0$  if  $i^{th}$  theme of  $j^{th}$  firm was not disclosed

$n_j \leq 23$ ; number of themes expected for  $j^{th}$  firm

Table 5.8 shows the measurement of the level of CSR disclosure and its dimensions: environment, human resource, products and consumers and community involvement.

**Table 5.8: Measurement of CSR disclosure (level) and its dimensions**

Dependent Variables Disclosure level	Operationalization
1- Environment disclosure level Index (EDLI)	$= 1/4(\sum_{i=1}^4 X_{ij})$ (financial and investment firms)

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	$= 1/5(\sum_{i=1}^5 X_{ij})$ (other firms)
2- Human resource disclosure level Index (HRDLI)	$= 1/8(\sum_{i=1}^8 X_{ij})$
3- Products and consumers disclosure level Index (PCDLI)	$= 1/3(\sum_{i=1}^3 X_{ij})$ (financial and investment firms)
	$= 1/4(\sum_{i=1}^4 X_{ij})$ (other firms)
4- Community involvement disclosure level Index (CIDLI)	$= 1/5(\sum_{i=1}^5 X_{ij})$
CSR disclosure level Index (CSRDLI)	$= 1/21(\sum_{i=1}^{21} X_{ij})$ (financial and investment firms)
	$= 1/23(\sum_{i=1}^{23} X_{ij})$ (other firms)

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### 5.3.1.2 Quality of CSR disclosure

The CSR disclosure instrument contains 23 CSR disclosure themes, which are grouped into four main categories: environment, human resource, products and consumers, and community involvement (see Appendix 6). The rank<sup>46</sup> of a CSR disclosure theme is calculated based on the types of information (i.e. vision/goals, management approach, and performance indicators) disclosed about a theme, as mentioned in the unit of analysis section of the content analysis. Some researchers (see Branco & Rodrigues, 2008) have made the assumption, in their CSR disclosure study, that each type of information is equally important. But the previous disclosure literature has suggested that each type of information is not equally important (see Hammond & Miles, 2004; Robertson & Nicholson, 1996; Toms, 2002). Due to the unequal importance of information types, the following ranks are given to each type of information (i.e. vision/goals, management approach, and performance indicators).

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46 The ranking method was used by Van Staden and Hooks (2007) and Toms (2002) and they ranked a theme based on the types of information (i.e. general rhetoric, specific endeavours, and implementation and monitoring) disclosed about a theme. Cormier and Magnan (1999), Cormier and Magnan (2003), and Cormier et al. (2005) also used a ranking method but they ranked a disclosure theme based on general disclosure, specific disclosure, and monetary and quantitative disclosure about a theme.



Rank	Description of type of information
1	Vision/goals
2	Management approach (contains information about specific actions, CSR activities, or processes)
3	Performance indicators (contain information about inputs, outputs, and perception measures)

Here rank one represents the least important type of information, while rank 3 represents the most important. There are some reasons for this ranking. Firstly, this ranking system is consistent with the previous disclosure studies conducted by Cormier and Magnan (1999), Cormier and Magnan (2003), and Cormier et al., (2005), in which they have given the highest rank to quantitative or monetary information (similar to performance indicators) and the lowest rank to general disclosures made about a theme. Similarly, environmental disclosure studies conducted by Toms (2002) and Van Staden and Hooks (2007) have also given the highest rank to implementation and monitoring disclosures (similar to performance indicators) and the lowest rank to general rhetorical disclosure (similar to vision/goals). Secondly, Toms (2002) has conducted a survey of fund managers and analysts and has found that these managers and analysts have given the highest rating to externally verified information and the lowest rating to non-quantitative information in annual reports. This finding is also consistent with the ranking system to be used for this study. Thirdly, the ranking system allows the integration/merger of different types of information into a single figure, which can be used across firms for its applications (Cormier et al., 2005). Fourthly, the process of reading documents of analysis (i.e. annual reports) leads to evaluation of comprehensive CSR

(environmental) disclosure quality (Cormier et al., 2005). Finally, quantitative disclosure (a part of performance indicators) is difficult to imitate by the companies where commitment to CSR (or environmental) programs is not genuine (Toms, 2002). For these reasons, performance indicators are given a higher rank than other types of information (i.e. vision/goals and management approach).

Apart from the reasons of ranking, it is possible that a company can disclose the three types of information (i.e. vision/goals, management approach, and performance indicators) about a theme. The proposed ranking system will give a rank of 3 to a theme about which only performance indicators are disclosed equal to a rank of a theme about which three types of information are disclosed. This problem is resolved by further expanding the ranking scale to 8 points, based on the three types of information: vision/goals, management approach, and performance indicator (see Table 5.9).

**Table 5.9: The Ranking System of a CSR disclosure theme**

<b>Ranks/Score</b>	<b>Explanation</b>
0	Non-disclosure of information about a theme
1	Vision/goals information disclosure about a theme
2	Information related to management approach
3	Information related to vision/goals + management approach
4	Information related to performance indicators
5	Information related to vision/goals + performance indicators
6	Information related to management approach + performance indicators
7	Information related to vision/goals + management approach + performance

Here the score 0 represents the least importance given by the firm to a particular theme, while 7 represents the most importance given by the firm to the same theme.

The following formula shows the calculation of CSR disclosure (quality) index:

$$\text{CSR D (quality) Index} = 1/n(\sum_{i=1}^{n_j} X_{ij})^{47}$$

CSR D (quality) Index = Corporate Social Responsibility Disclosure (quality) Index

$X_{ij}$  = 1-7 was given to  $i^{\text{th}}$  theme of  $j^{\text{th}}$  firm based on the types of information disclosed about  $i^{\text{th}}$  theme

$X_{ij}$  = 0 if  $i^{\text{th}}$  theme of  $j^{\text{th}}$  firm was not disclosed

$n_j \leq 23$ ; number of themes expected for  $j^{\text{th}}$  firm

The measurement of the quality of CSR disclosure and its dimensions is explained in Table 5.10.

**Table 5.10: Measurement of the quality of CSR disclosure and its dimensions**

Dependent Variables	Operationalization
CSR Disclosure (quality) Index	$= 1/23(\sum_{i=1}^{23} X_{ij})$ (for other firms) $= 1/21(\sum_{i=1}^{21} X_{ij})$ (for financial and investment firms)
Environmental disclosure ((quality) Index	$= 1/4(\sum_{i=1}^4 X_{ij})$ (financial and investment firms) $= 1/5(\sum_{i=1}^5 X_{ij})$ (for other firms)
Human Resource Disclosure (quality) Index	$= 1/8(\sum_{i=1}^8 X_{ij})$
Product and Consumers Disclosure (quality) Index	$= 1/3(\sum_{i=1}^3 X_{ij})$ (financial and investment firms) $= 1/4(\sum_{i=1}^4 X_{ij})$ (other firms)
Community Involvement Disclosure (quality) Index	$= 1/5(\sum_{i=1}^5 X_{ij})$

<sup>47</sup> This formula was used by Saleh et al. (2010) to measure CSR disclosure quality score

### 5.3.2 Independent Variables

#### 5.3.2.1 Company Characteristics

This section discusses the operationalization of company characteristics, which are considered as proxies of a company's social visibility.

1. **Company Size (CS):** There are no theoretical reasons which can justify the selection of a particular measure of size (Hackston & Milne, 1996). The previous disclosure studies have used total assets (see Cormier & Magnan, 2003; Cormier et al., 2005; Haniffa & Cooke, 2002; Haniffa & Cooke, 2005)<sup>48</sup> and total sales (see Amran & Devi, 2008; Neu et al., 1998; Patten, 2002)<sup>49</sup> as proxy measures of a firm's size. Consistent with the previous CSR disclosure studies, this study uses total assets as reported in the annual report as a proxy of a firm's size. The researcher has not used total sales as a proxy of a firm's size because the sample includes both financial and non-financial firms and this figure is less useful for comparison than the total assets among financial and non-financial firms.
2. **Corporate Profitability (CP):** The accounting based measure (i.e. ROA) was used to measure a company's profitability in the previous CSR disclosure studies (see Amran & Devi, 2008; Belkaoui & Karpik, 1989; Branco & Rodrigues, 2008; Patten, 1991; Reverte, 2009). Belkaoui and Karpik (1989) calculated ROA by dividing the net income by the total assets. Consistent with the previous CSR disclosure studies, this research uses ROA to measure a

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48 Cormier et al. (2005) used log (assets) as proxy measure for firm's size

49 Patten (2002) used lg(revenues) as proxy measure for firm's size

company's profitability and this information can be traced from income statement and the balance sheet of a company.

3. Industry sensitivity/Industry affiliation: Earlier researchers categorized industries into two groups: consumers proximity (high profile and low profile companies) (see Hackston & Milne, 1996) and environmental sensitivity (critical and less critical industries) (Monteiro & Aibar-Guzmán, 2010) and both measures are proxies of companies' social exposure (Branco & Rodrigues, 2008).

3a) Environmental sensitivity (IndS1): Environmentally sensitive companies are those whose activities are considered to have negative environmental impacts (i.e. environmental degradation and resource depletions). Companies operating in industries such as water, electricity, gas/oil, pulp and paper, chemical, and the metal and steel industry are considered to be environmentally sensitive, while companies operating in any other industry are considered as less environmentally sensitive (see Branco & Rodrigues, 2008; Monteiro & Aibar-Guzmán, 2010). Similarly, Patten (2002) has treated the companies operating in industries: chemical (SIC 28XX), metals (SIC code 33XX), paper (SIC code 26XX), and petroleum (SIC code 2911) as environmentally sensitive companies. Consistent with the previous CSR disclosure studies, the following coding is used:

- 1 If a company is operating in an industry with a SIC code 06XX, 10XX, 12XX, 13XX, 17XX, 19XX, 20XX, 21XX, 22XX, 23XX, 24XX, 27XX, 29XX, 35XX, 41XX, 51XX, 49XX, and 50XX it will be considered to be an environmentally sensitive company (for SIC codes see Table 6.2)

0 if a company is not operating in an industry having above SIC codes

Note: this industry classification codes are accessed from the standard industry classification of Pakistan

3b) Consumer proximity (IndS2): This is measured by dividing the companies into two groups: high and low profile companies. High profile companies are referred to as those who are better known to the public or whose names are better known by the public. High profile companies are those operating in the following sectors: household goods and textile, beverage, telecommunication, electricity, gas distribution, water, banking, and food and drug retailers; and companies operating in other sectors are treated as low profile companies (see Branco & Rodrigues, 2008). Consistent with the previous CSR disclosure research, this research uses a dummy variable, and 1 is assigned to a company operating in a high profile sector and 0 to a company operating in a low profile sector.

4. Multinationals Subsidiaries (MNSs): This research uses a dummy variable for multinationals in which 1 is assigned to company which is a subsidiary of a multinational and 0 if otherwise. This measure was used by Monteiro & Aibar-Guzmán (2010). This information can be traced from 'notes to the accounts' section of an annual report. Moreover, a company who has a foreign company as a majority shareholder will be considered to be a subsidiary of the majority shareholding company.

### **5.3.2.2 General Contextual Factors**

#### **5.3.2.2.1 Shareholders**

Consistent to the previous CSR disclosure studies (see Oh et al. 2011; Haniffa & Cooke 2002; Amran & Devi 2008), shareholders are divided into three groups: institutional, foreign, and government shareholders.

- 1) Institutional shareholders (IS): Consistent with the previous disclosure studies (see Johnson & Greening, 1999; Haniffa & Cooke, 2002; Kim et al., 2010; Oh et al., 2011), the following measure is used as a proxy for institutional shareholders.

Percentage of institutional ownership = (number of shares held by banks + number of shares held by development financial institutions + number of shares held by non-banking financial institutions + number of shares held by insurance companies + number of shares held by modarabas and mutual funds)/ total number of shares issued \* 100

- 2) Foreign shareholders (FS): This variable, consistent with the previous CSR disclosure studies (see Amran & Devi, 2008; Haniffa & Cooke, 2002; Haniffa & Cooke, 2005; Oh et al., 2011), is measured in the following manner.

Percentage of foreign ownership = number of shares owned by foreigners/ total number of shares issued \* 100.

- 3) Government Shareholders (GS): This variable, consistent with the prior disclosure studies (see Amran & Devi, 2008), is measured in the following manner.

Percentage of government ownership = (number of shares hold by National Investment Trust Limited (NIT) + number of shares hold by Investment Corporation of Pakistan (ICP) + number of shares hold government companies)/ Total number of shares issued \* 100.

Note: The shareholding information can be accessed from the 'pattern of shareholding' section of an annual report.

#### **5.3.2.2.2 Creditors (Lenders)**

A leverage ratio has been used as a proxy for creditors by the earlier CSR disclosure researchers (see Belkaoui & Karpik, 1989; Reverte, 2009). Previous disclosure literature shows that researchers have calculated the leverage ratio in two different ways. Some researchers have calculated the leverage ratio by dividing the long term debts by the total equity (see Cormier et al., 2005; Haniffa & Cooke, 2005; Mahadeo et al., 2011; Reverte, 2009), while some researchers have calculated the leverage ratio by dividing the total debt by the total assets (see Belkaoui & Karpik, 1989; Branco & Rodrigues, 2008; Haniffa & Cooke, 2002). These researchers have not given a particular reason for preferring one way of measuring the leverage ratio over the other. However, consistent with the previous CSR disclosure literature, the initial plan for this research was to use both methods (i.e.  $\text{Leverage1} = \text{long term debt} / \text{total equity}$  and  $\text{Leverage2} = \text{total debt} / \text{total assets}$ ) for measuring the leverage ratio, but due to the non-availability of information, the researcher preferred to use leverage2 measure. This information can be traced from the balance sheet section of an annual report.

#### **5.3.2.2.3 Normative Institutions**

1. CSR Forums and Networks (CSRF&N): A dummy variable is used to measure companies' membership of CSR forums and networks. There are four major CSR networks: CSR Pakistan, CSRCP, United Nations Global Compact, and global compact Pakistan Local Network, which operate in Pakistan and



provide assistance to companies in reporting their CSR activities. Membership of CSR forum and network is considered to be a dichotomous variable in which 1 is assigned to a company that is a member of any of the CSR forums/networks and 0 represents a company which is not a member of CSR forum/network. This information can be traced from CSR forums/networks' websites.

2. NGOs (e.g. WWF): A dummy variable is used to represent WWF, an NGO, in which 1 is assigned to a firm which is a member of WWF and 0 is assigned to a firm which is not a member of WWF. This information can be extracted from the WWF website, which lists companies which are members of WWF.
3. CSR Standard Setting Institutions (CSRSSI): Dummy variables are used as a proxy for CSR standard setting institutions. This information is extracted from companies' annual reports. Proxies are divided into two groups: 1) standards related to employees and their health and safety and 2) standards related to products' quality and environment.

Standards related to employees and their health and safety:

1 If a company has SA8000/OHSAS/IIP

0 if a company does not have SA8000/OHSAS/IIP

Standards related to products' quality and environment:

1 if a company has ISO14000/ISO9000

0 if a company does not have ISO14000/ISO9000

### **5.3.2.3 Internal Contextual factors**

1. Non-Executive Directors on Board (NEDB): This variable is measured by calculating the proportion of non-executive directors in the total directors. This measure was used by Haniffa and Cooke (2005).
2. Chairman with Multiple Directorships (CMD): Haniffa & Cooke (2005) used a dummy variable in which a chairman with multiple directorships was graded one and zero otherwise. Consistent with the earlier CSR disclosure research, the same measure is used here. The researcher has used multiple sources such as annual reports, company website, PkFinance information (a financial information database), and the Google search engine to search for a profile of a company's chairman.
3. Non-Executives Directors in the Audit Committee (NEDAC): The Pakistani Code of Corporate Governance (2012), published by the Security and Exchange Commission of Pakistan, requires that all the members of the audit committee should be non-executive directors. The researcher uses this as a dummy variable in which 1 is assigned to a firm having all non-executive directors in the audit committee and 0 to a firm not having all non-executive directors in the audit committee. It is mandatory for this information is to be reported in the annual reports and can be traced from there.

## **5.4 Pilot Study**

### **5.4.1 CSR Disclosure Themes**

A CSR disclosure instrument (see Appendix 3) was developed based on the previous CSR disclosure studies: Hackston and Milne (1996), Vuontisjarvi (2006),

and Branco and Rodrigues (2008) to identify CSR themes, reported in corporate annual reports, and to categorise them into CSR disclosure dimensions. This instrument consists of four broad dimensions: 1) environment, 2) human resource, 3) products and consumers, 4) and community involvement. These dimensions have consistently been used in other disclosure studies (see Amran & Devi, 2008; Gray et al., 1995b). In addition to these dimensions, the researcher included a 'general category' which includes information considered to be part of CSR but is not covered by the above CSR disclosure dimensions. To identify CSR disclosure themes in corporate annual reports, indicators were adopted from Hackston and Milne (1996) and Vuontisjarvi (2006). Moreover, some indicators were added to some disclosure themes to capture the quantity (i.e. extent and level) and the quality of CSR disclosure of companies based on the reported information in corporate annual reports (randomly selected for the pre-pilot study). However, pre-pilot study sampled companies reported information about wages and salaries, contribution to national exchequer, provident funds and employees' contribution fund, which are considered mandatory requirement of accounting regulations and were not included into this research instrument<sup>50</sup>. The details of indicators used to identify CSR disclosure themes and dimensions are included in Appendix 3.

After preparing the initial CSR disclosure instrument (see Appendix 3) a sample of 10 leading listed companies of Pakistan was selected<sup>51</sup> at random (see Appendix 4). The pilot study results show that the sampled companies have primarily made

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<sup>50</sup> Vuontisjarvi (2006) also excluded information which was part of mandatory requirement of accounting regulations in measuring human resource disclosure of Finish companies.

<sup>51</sup> 10 companies were randomly selected from list of 100 leading companies (based on market capitalization), listed at Karachi Stock Exchange (KSE). KSE identify these 100 companies based on two criteria. 1) One leading company from each sector based on its market capitalization 2) and the remaining companies are selected based on total market capitalization in descending order.

disclosures within four categories of CSR disclosure: environment, human resource, products and consumers, and community involvement. However, not all of the sampled companies have reported about all the themes and indicators of CSR disclosure (for details see Appendix 5). In addition, the companies sampled for the pilot study (and pre pilot study) did not report information about any of the indicators of the 'security in employment' theme, and for this reason this theme was considered irrelevant to Pakistani companies and was excluded from the final research instrument (see Appendix 6). However, some of the indicators for which the sampled companies did not disclose information were not excluded from the CSR disclosure instrument because it was considered possible that companies in the final sample may disclose information about those indicators. The CSR disclosure themes and dimensions which are included in the final CSR disclosure instrument are presented in Figure 5.1 and their indicators have been included in Appendix 6.

#### 5.4.2 Reliability

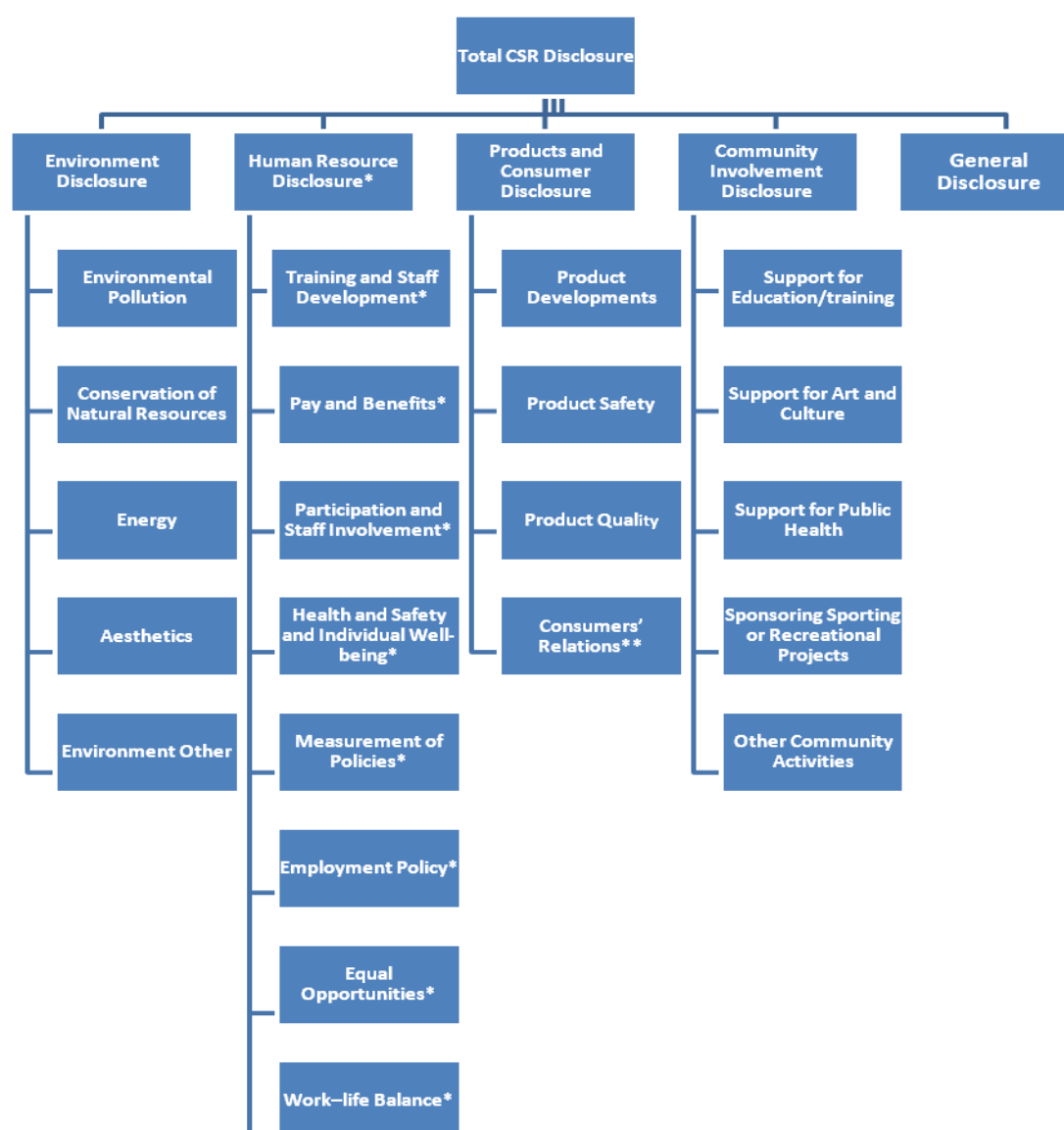
To draw valid inferences from the data, the reliability and the validity of the data collected from content analysis need to be ensured. The reliability and the validity of the data, collected from a sample of 10<sup>52</sup> leading companies listed at KSE Pakistan, was checked. In this study two coders (one researcher and a second independent

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<sup>52</sup> According to Neuendorf (2002) a reliable pilot study subsample should be 1) of appropriate size, 2) representative of full sample, and 3) same sampling units to be coded by all coders (two here). As far as the first element is concerned, there is no consensus on the pilot study sample size to check the reliability of content analysis research instrument (Neuendorf, 2002). However, Wimmer and Dominick (1997 cited in Neuendorf, 2002) mentioned in their textbook on social science research methods that pilot study sample size should be 10% to 20% of total sample size. At the start of study, it was planned to use a sample of 100 leading companies of Pakistan for final analysis. At the time of the pilot study, a selection of only 10 companies (10% of total sample) annual reports for the pilot study was consistent with the proposal of Wimmer and Dominick (1997 cited in Neuendorf, 2002). Thus a sub-sample size is considered to be an appropriate size for the pilot study. Secondly, this pilot study sample was randomly selected from a list of 100 leading companies. Thus it can be said that it is a representative sample of 100 leading companies. In coding the companies' annual reports, two copies of each annual report were printed and two coders coded 10 reports (using different copies of an annual report). Thus the selection of 10 leading companies' annual reports for testing the CSR disclosure instrument can be considered as a reliable pilot study sample.

coder who has reasonable knowledge of CSR disclosure) coded the sampled companies' annual reports. Moreover, statistical software (e.g. ReCall: Reliability Calculation online software, [www.dfreelon.org](http://www.dfreelon.org) and SPSS) were used to calculate the reliability measures. Before starting to code the annual reports individually, the researcher provided training to the second coder about the coding procedures by coding four companies' annual reports together. Then each coder coded 10 companies' annual reports (using different copies of reports) individually. This method was used in order to avoid any possible discrepancies in the interpretation of data.

**Figure 5.1: Final CSR disclosure instrument-CSR disclosure Dimensions and themes**



**Note:** Environment disclosure and products and consumers disclosure themes were adopted from Hackston and Milne (1996). Human resource disclosure themes were adopted from Vuontisjarvi (2006), and community involvement disclosure themes were adopted from Branco and Rodrigues (2008). The general disclosure category was included to capture information which was considered to be CSR disclosure but was not covered by the other CSR disclosure categories: environment, human resource, products and consumers, and community involvement. The general disclosure category includes information about CSR awards, the presence of a CSR committee (information about its members and their roles), and a code of ethics.

#### 5.4.2.1 Reliability of the Quality of CSR Disclosure and its dimensions

It has already been mentioned when discussing the operationalization of a dependent variable that the types of information (i.e. aims/intentions, actions, and performance), along with their weights, are the basic units used to calculate the disclosure (quality) score of a theme. The disclosure (quality) score is considered to be a proxy for social performance (see Blowfield & Murray, 2011). The theme disclosure (quality) score when calculated in this way is treated as ordinal level data because it does not fulfil the properties of interval and ratio level data. Sheskin (1997) has described two properties of ratio level data. Firstly, the differences between the measurement points throughout the scale should correspond to the equal differences in the amount of attributes being measured (applicable to interval level data also). Secondly, the disclosure (quality) score should have a value of absolute zero (not applicable to interval level data).

These properties can be better understood from the following example. For example, company A has a CSR disclosure (quality) score 6 and company B has a CSR disclosure (quality) score 3. Here the measurement difference of 3 on a scale does not indicate that the social performance of company A is double of the social performance of company B. However, based on the disclosure (quality) scores, it can be argued that company A has contributed more (based on the selected criteria) than company B. Thus, the CSR disclosure (quality) score does not fulfil the first property of interval and ratio level data. Similarly, if a company has CSR disclosure (quality) score of zero, it does not mean that the company contributed nothing towards society (or has zero social performance). It indicates that the disclosure

(quality) score does not fulfil the second property. Thus the disclosure (quality) score is treated as ordinal level data here.

To check the inter-rater reliability, four statistical measures can be used: 1) percentage agreement, Scott's  $\pi$ , Cohen's Kappa, and Krippendorff's  $\alpha$  (Milne & Adler, 1999; Neuendorf, 2002). Percentage agreement is a raw measure and does not account for chance agreement, while Scott's  $\pi$ , and Cohen's Kappa statistical measures take into account chance agreement, but can only be used for nominal data (Neuendorf, 2002). On the other hand, Krippendorff's Alpha takes into account chance agreements, the magnitude of misses, and also adjusts whether data is measured on the nominal, ordinal and ratio level (Neuendorf, 2002). So Krippendorff's Alpha is considered to be a more useful inter-coder statistical reliability measure. Its conceptual formula<sup>53</sup> is mentioned below:

$$\text{Krippendorff's Alpha} = 1 - D_O/D_E$$

Where  $D_O$  = observed disagreements and  $D_E$  = expected disagreements

The results (see Table 5.11) have revealed, in the light of Seppanen (2009) Krippendorff's  $\alpha$  interpretation, that 19 themes have almost perfect agreements (i.e.  $0.80 < \alpha < 1.00$ ), one theme has substantial agreement (i.e.  $0.60 < \alpha < .80$ ) and only one theme (i.e. environment other) has moderate agreements (i.e.  $0.40 < \alpha < .60$ ). Krippendorff's  $\alpha$  value for all the themes except 'environment other' provide convincing evidence of inter-rater reliability (reproducibility). However, the researcher has explored reasons for the lower level of inter-coder reliability (see Section 5.4.4) and has developed clear rules to improve the inter-coder reliability of a theme (see Appendix 7).

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<sup>53</sup> Krippendorff's Alpha conceptual formula has been taken from Neuendorf (2002).



**Table 5.11: Inter-rater reliability measures: CSR disclosure (quality)**

	Krippendorff's Alpha (ordinal)	Cronbach's $\alpha$
CSR Themes		
ENVIRONMENTAL DISCLOSURE (ED)		
Environmental Pollution	0.969	.782
Conservation of Natural Resources	0.864	
Energy	0.851	
Aesthetics	1.000	
Environment Other	0.439 <sup>54</sup>	
HUMAN RESOURCE DISCLOSURE (HRD)		
Training and Staff Development	1.000	.833
Pay and Benefits	0.825	
Participation and Staff Involvement	0.915	
Health and Safety and Individual Well-being	1.000	
Measurement of Policies	0.627	
Employment Policy	0.988	
Equal Opportunities	1.000	
Work-life Balance	1.000	
PRODUCTS AND CONSUMERS DISCLOSURE (PCD)		
Product Developments	0.712	.540
Product Safety	0.854	
Product Quality	1.000	
Consumers' Relations	0.871	
COMMUNITY INVOLVEMENT DISCLOSURE (CID)		
Support for Education/training	1.000	0.731
Support for Art and Culture	<sup>*55</sup>	
Support for Public Health	0.985	
Sponsoring Sporting or Recreational Projects	1.000	
Other Community Activities	0.924	
TOTAL DISCLOSURE		0.907

\*None of the sample companies reported this theme. That is why; Krippendorff's Alpha value was not calculated.

<sup>54</sup> There is a reason for the low level of Krippendorff' Alpha value for 'environment other' theme. One coder identified an action and performance indicator for this theme and gave a score of 6 out 7 to this theme, while the other coder overlooked this theme in the report and gave zero to this theme, and this resulted in the lower level of Krippendorff' Alpha value. However, the researcher resolved this problem by clearly stating the section of the report in the research instrument from where a particular piece of information (i.e. theme) can be accessed.

<sup>55</sup> This theme (i.e. support for art and culture) was not reported by the sampled companies. Due to invariant values, inter-rater reliability (Krippendorff's Alpha) measures was not calculated for this theme.

**Figure 5.2: Interpretation of the Krippendorff's alpha value**

<b>Krippendorff's Alpha Value</b>	<b>Interpretation</b>
<0	Poor agreement
0.0 – 0.20	Fair agreement
0.21 - 0.40	Slight agreement
0.61 – 0.80	Substantial agreement
0.81 – 1.00	Almost perfect agreement

Adopted from Seppanen (2009)

#### **5.4.2.2 Reliability of the Extent of CSR disclosure and its dimensions**

As mentioned earlier, this study uses the 'sentence count' to measure the extent of CSR disclosure. To check inter-coder reliability, the same sample (which was used to measure the quality of CSR disclosure) of 10 leading companies of Pakistan was selected and their annual reports were used to measure the extent of disclosure. Two coders (one researcher and other independent coder) counted the sentences included under each dimension of CSR disclosure: environment, human resource, products and consumers, community involvement and general disclosure by the focal company to describe its CSR activities/performance. The results were organized in the following manner.

Unit	Var1Coder1	Var2Coder2	Var1Coder2	Var2Coder1
Company1				
Company2				
Company3				
Company4				

Here each row represents the results of each company and the each column represents each coder's judgement for a particular variable.

Krippendorff's  $\alpha$  value was calculated for each of the dimensions of CSR disclosure and the overall CSR disclosure, using ReCall online utility<sup>56</sup>, to measure the inter-coder reliability.

<sup>56</sup> ReCall online utility provides facilities to calculate reliability measure for all levels of data (i.e. nominal, ordinal, interval, and ratio)

**Table 5.12: Inter-rater reliability statistic (Krippendorff's Alpha) for extent of CSR disclosure**

<b>CSR disclosure/CSR disclosure categories</b>	<b>Krippendorff's <math>\alpha</math></b>
Environmental Disclosure (ED)	.992
Human Resource Disclosure (HRD)	.977
Products and Consumers Disclosure (PCD)	.830
Community Involvement Disclosure (CID)	.986
General Disclosure (GD)	.990
Total CSR Disclosure (TCSR)	.998

The results (see Table 5.12) have revealed that all of the variables: environment disclosure, human resource disclosure, products and consumers disclosure, community involvement disclosure, general disclosure, and total CSR disclosure have perfect agreements, because Krippendorff's  $\alpha$  value of the each variable lies between 0.81 and 1.00 (for the interpretation see Figure 5.2). The results provide convincing evidence of inter-coder reliability when measuring CSR disclosure (extent). This convincing evidence of reliability was achieved by developing a self-explanatory research instrument and clearly defining the coding rules for the quantity of CSR disclosure. The coding rules for the quantity of CSR disclosure are presented in Appendix 8.

#### **5.4.2.3 Reliability of the level of CSR disclosure and its dimensions**

In measuring CSR disclosure (level), consistent with previous researchers (notably Branco & Rodrigues, 2008), every theme is considered to be a nominal variable i.e. whether a company has reported information about a theme or not. To check the inter-coder reliability of a nominal variable, the researcher first used percentage agreements. The results show that all the themes have 80% or above agreement (see Table 5.13). The percentage agreement is a raw measure and ignores the chances of randomness (see Milne & Adler, 1999; Neuendorf, 2002). Other reliability measures, for example Scott's  $\pi$ , Cohen's Kappa, and Krippendorff's alpha account for the randomness element (Neuendorf, 2002) but Krippendorff's (1980)  $\alpha$  is

considered to be a standard measure of content analysis reliability i.e. reproducibility (Hayes & Krippendorff, 2007). Neuendorf (2002) also stated that Krippendorff's alpha measure is an attractive measure of reliability but is neglected due to the tediousness of its calculation. Based on previous researchers' recommendations (Hayes & Krippendorff, 2007; Neuendorf, 2002), the researcher uses and interprets Krippendorff's  $\alpha$  value here.

**Table 5.13: Inter coder reliability- CSR disclosure (level)**

<b>CSR THEMES</b>	<b>Percent Agreement</b>	<b>Krippendorff's Alpha (nominal)</b>
<b>ENVIRONMENTAL DISCLOSURE (ED)</b>		<b>0.840**</b>
Environmental Pollution	100%	1.000
Conservation of Natural Resources	80%	0.604
Energy	100%	1.000
Aesthetics	100%	1.000
Environment Other	80%	0.620
<b>HUMAN RESOURCE DISCLOSURE (HRD)</b>		<b>0.940**</b>
Training and Staff Development	100%	1.000
Pay and Benefits	90%	0.747
Participation and Staff Involvement	90%	0.808
Health and Safety and Individual Well-being	100%	1.000
Measurement of Policies	90%	0.627
Employment Policy	100%	1.000
Equal Opportunities	100%	1.000
Work-life Balance	100%	1.000
<b>PRODUCTS AND CONSUMERS DISCLOSURE (PCD)</b>		<b>0.960**</b>
Product Developments	90%	0.791
Product Safety	90%	0.808
Product Quality	100%	1.000
Consumers' Relations	90%	0.791
<b>COMMUNITY INVOLVEMENT DISCLOSURE (CID)</b>		<b>1.000**</b>
Support for Education/training	100%	1.000
Support for Art and Culture	100%	*
Support for Public Health	100%	1.000
Sponsoring Sporting or Recreational Projects	100%	1.000
Other Community Activities	100%	1.000
<b>TOTAL CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE</b>		<b>0.940**</b>
*None of the sample companies reported this theme. Due to invariant values Krippendorff's Alpha was not calculated. Number of coders: 2, Number of case: 10, Number of coding decisions: 20. **Krippendorff's Alpha (ordinal) was used to measure inter-coder reliability		

Table 5.13 presents the inter-coder reliability results for the level of CSR disclosure and shows that 15 themes have almost perfect agreements (i.e.  $0.81 \leq \text{Krippendorff's alpha} \leq 1.00$ ) and 6 themes have substantial agreements (i.e.  $0.61 \leq \text{Krippendorff's}$

alpha $\leq$ 0.80) (for interpretation see figure 5.2). However, Krippendorff's alpha value was not calculated for one theme (i.e. support for art and culture) due to invariance in values but, for this theme, percentage agreement shows 100% agreement between the coders. Further the reliability values for overall CSR disclosure and its dimensions show almost perfect agreements between the coders (i.e.  $0.81 \leq$  Krippendorff's alpha  $\leq 1.00$ ). Thus Krippendorff's alpha values and percentage agreements provide convincing evidence of inter coder reliability (i.e. reproducibility) for the level of CSR disclosure.

#### **5.4.2.4 Internal Consistency (reliability)**

As far as the reliability of instrument is concerned, the researcher adopted a CSR disclosure instrument from Hackston and Milne (1996), which is a widely used CSR disclosure instrument (Branco & Rodrigues, 2008; Deegan et al., 2002) and made some additions into the instrument based on Branco and Rodrigues (2008), Vuontisjarvi (2006), and GRI 3.1 (2011) studies, and the information reported in the annual reports of the sampled companies. To ensure the reliability of themes included in the CSR disclosure instrument, the researcher calculated Cronbach's Alpha, a measure of internal consistency, in order to find out how well the CSR disclosure themes fit together in the CSR disclosure instrument (Neuendorf, 2002). Internal consistency measures examine inter-item correlations and provide a basis for combining variables (themes here) in a scale. The Cronbach's alpha value of CSR disclosure and its dimensions human resource, environment, community involvement, and products and consumers are 0.907, 0.833, 0.782, 0.731, and 0.54 respectively (see Table 5.11). According to Nunnally (1978), a Cronbach's  $\alpha$  value greater than .70 shows a high internal consistency. This shows that the themes

within CSR disclosure, human resource disclosure, environment disclosure and community involvement disclosure are well connected to each other. However, the themes within products and consumer disclosure are not well correlated to each other. However, internal consistency (e.g. Cronbach's  $\alpha = 0.54$ ) of products and consumer disclosure can be considered acceptable in comparison with the Cronbach's  $\alpha$  value (i.e. 0.51) of voluntary disclosure study by Gul and Leung (2004). It is important to make a point here that internal consistency reliability is a different measure from inter-coder reliability, which examines one measure (or variable) at a time, while internal consistency examines many themes at a time and is a measurement of the extent to which themes in the instrument correlate to each other (Neuendorf, 2002).

#### **5.4.3 Validity**

The measurement of validity addresses the question as to whether or not the instrument measures the phenomenon it is supposed to measure (Bryman & Bell, 2007). The previous disclosure studies such as Gul and Leung (2004) and Botosan (1997) measured the validity of the extent of voluntary disclosure score by comparing their results, examining the relationship between company characteristics and the extent of CSR disclosure, with the results of previous studies examining company characteristics relationship with the extent of CSR disclosure. This method will also be used in this study as we compare post-content analysis results with the results of previous CSR disclosure studies. If the results are found to be consistent with the existing literature then the CSR disclosure score calculated by this research instrument will be regarded as valid.

#### 5.4.4 Reasons for disagreements between coders

The inter-coder reliability checks for the CSR disclosure instrument have shown some coding disagreements between the two coders. After the reliability tests both coders have discussed reasons for the decision disagreements and they are detailed below.

1. Implied assumptions related to aims/intentions of the company were made by the second coder. This issue was tackled by clearly stating in the coding rules that information should be specifically stated rather than implied.
2. Information was overlooked by the coder, because this instrument contains 23 themes and each theme has 3 categories (i.e. vision/goals, management approach, and performance indicators), and each category has further indicators. Moreover, the sampled companies have not followed a specific reporting format, which creates difficulty for the coder to identify the types of information reported about each theme. However, the researcher has tried to address this point by clearly identifying the portion (i.e. vision, mission, core values, or directors' report) of the annual report and will help the coder to trace information about each theme. This will also create consistency between the coders in reading the portion of annual report to trace information about each theme.
3. Some of the information, considered to be the socially responsibility of the company, was observed in the annual report about which indicators had not been included in the disclosure instrument. For this reason the second coder did not treat the information as CSR-related disclosure. This caused coding

disagreements between the coders. However, the researcher has addressed this concern by including more indicators in the research instrument.

4. This research instrument contains many indicators for each category (particularly action and performance) of a theme. The high number of indicators made it difficult for the coder to remember all the indicators during the coding process. This caused coding disagreement between the two coders. However, this problem was addressed by mentioning frequently used items at the beginning of each category of a theme.

## 5.5 Chapter Summary

This research employs a nomothetic methodology in which content analysis and survey research methods are used to accomplish the research aims. The data collected through the content analysis is used to answer the first two research questions, while the survey research method is used to address the third research question. The basic descriptive and the parametric test are used to address the first research question while the pooled regression models are used to answer the second research question. The basic descriptive, parametric and multiple regression models are also used to address the third research question.

The content analysis technique requires the determining of documents of analysis, the definition(s) of CSR disclosure and its dimensions, the measurement of disclosure (i.e. unit of analysis), and the reliability of content analysis. In this research, corporate annual reports are used as a basic document of analysis. Moreover, rules and themes used to categorise the reported CSR information are adopted from previous disclosure research. 'Sentence count' and 'theme count' are used as a unit of analysis for CSR disclosure quantity, while ranking of a theme



based on the nature of information (i.e. aims/goals, management approach, and performance indicators) reported about that theme is used for CSR disclosure quality. The pilot study results have shown a high inter-coder reliability and internal consistency, which suggests that the data produced by content analysis can be considered reliable.

The questionnaire was developed based on extensive review of CSR disclosure literature and interviews with three CEOs of companies operating in Pakistan. The questionnaire was developed in the English language and later translated into Urdu, a national language of Pakistan, through the mixed translation technique. Later on, both questionnaires (English and Urdu version) were sent to the top executives (i.e. CEOs or CFOs) through both email and post.

## **6. CHAPTER: QUANTITY (EXTENT AND LEVEL) AND QUALITY OF CSR DISCLOSURE**

### **6.0 Introduction**

This chapter discusses the quantity and quality of CSR disclosure and serves the first aim of this research i.e. to explore the quantity and quality of CSR disclosure by listed companies of Pakistan. Furthermore, it partially addresses the second aim of this research by providing evidence in support of hypothesis 6 ('there is a significant increase in CSR disclosure and its dimensions in 2011'). This chapter is organized as follows: the first section discusses the sample design; the second section discusses the quantity (i.e. extent and level) of CSR disclosure and the differences between the quantity (i.e. extent and level) of CSR disclosure in 2008 and 2011. The third section discusses the quality of CSR disclosure and the differences in the quality of disclosure between 2008 and 2011. The fourth section presents discussion of the results with reference to legitimacy, stakeholder, and institutional theory. The final section presents the conclusion.

### **6.1 Sample Design**

A sample of 120 financial and non-financial firms listed at KSE, the biggest stock exchange of Pakistan, were selected and their reports for two years (2008 and 2011) were collected, meaning the sample includes 240 yearly observations. 2008 and 2011 were selected as the periods of the study because they coincide with the introduction of the CSR Order 2009 (effective from September 2009), which was issued by the Security and Exchange Commission of Pakistan (SECP hereafter), a

regulatory body, which requires listed companies to disclose their CSR related information in their annual reports. Although annual reports for the year 2009 were available, they were not selected for this research as some focal companies' accounting year ended on December 31 2009 (overlapping with the CSR order's effective data). Moreover, recent reports at the time of data collection were available for the year 2011. For these reasons the researcher studied annual reports published in the year 2008 and 2011. This may allow the researcher to examine the effect of CSR law on CSR disclosure.

Initially, based on the guidelines for sample size by Krejcie and Morgan (1970), it was decided to select a sample of 234 companies for the final analysis. In order to select this sample a list consisting of 601 companies listed at KSE was obtained from KSE (KSE, 2011). Before selecting a sample the researcher ensured the availability of annual reports for both years 2008 and 2011. After an exhaustive search of two sources: company website and KSE website, only 120 listed companies' complete reports were available. Thus, the researcher selected 120 companies (see appendix 12) and downloaded their annual reports from the KSE website and respective company websites. There are three main reasons for this small sample size: 1) absence of company website, 2) non-availability of annual reports, 3) and incomplete reports. The following table provides the concise picture for the selection of 120 companies to the sample.

**Table 6.1: Explanation for the inclusion of 120 companies into the sample**

<b>Description</b>	<b>Number</b>
Companies listed at Karachi Stock Exchange of Pakistan	601
Companies, which reports are not available for both the years 2008 and 2011	303
Companies, which reports are not available for the year 2008 only	144
Companies, which reports are not available for the year 2011 only	6
Companies, which reports are incomplete for both years 2008 and 2011	14
Companies, which reports are incomplete for the year 2008 only	11
Companies, which reports are incomplete for the year 2011 only	3
Companies, which reports are available for both years 2008 and 2011	120

This sample includes 56% manufacturing firms, 34% financial and insurance firms, and 10% other firms (e.g. electricity firms and companies involved in the transportation and extraction of crude petroleum etc.). Table 6.2 details the number of companies in the sample from each sector and their respective SIC codes.

**Table 6.2: Sample Description**

Description	SIC Codes	Year			
		2008		2011	
		f	%	f	%
<b>Manufacturing Firms</b>		<b>67</b>	<b>55.83</b>	<b>67</b>	<b>55.83</b>
Manufacturer of textiles	13XX, 131X	16	13.3	16	13.3
Manufacturer of chemicals and chemical products	20XX, 201X, 202X, 2012	10	8.3	11	8.3
Manufacturer of food products	107X, 1072	10	8.3	10	8.3
Manufacturer of other non-metallic mineral products	239X	9	7.5	9	7.5
Manufacturer of electrical equipment	27XX, 2720, 275XX	5	4.2	5	4.2
Manufacturer of motor vehicles, trailers and semi-trailers	29XX	5	4.2	5	4.2
Manufacturer of basic pharmaceutical products and pharmaceutical preparations	2100	4	3.3	4	3.3
Manufacturer of refined petroleum products	1920X	2	1.7	2	1.7
Manufacturer of basic metals	24XX	2	1.7	2	1.7
Manufacturer of paper and paper products	1702X, 17XX	2	1.7	2	1.7
Manufacturer of tobacco products	12XX	1	.8	1	.8
Manufacturer of rubber and plastics products	2211	1	.8	1	.8
<b>Financial and insurance Firms</b>		<b>41</b>	<b>34.17</b>	<b>41</b>	<b>34.17</b>
Activities auxiliary to financial service and insurance activities	66XX	21	17.5	21	17.5
Insurance, reinsurance and pension funding, except compulsory social security	65XX	11	9.2	11	9.2
Financial service activities, except insurance and pension funding	64XX	9	7.5	9	7.5
<b>Other firms</b>		<b>12</b>	<b>10</b>	<b>12</b>	<b>10</b>
Electricity, gas, steam and air conditioning supply	351XX, 3520X	5	4.2	5	4.2
Transportation and storage	51XX, 49XX, 50XX	3	2.5	3	2.5
Extraction of crude petroleum and natural gas	06XX, 0620X	2	1.7	2	1.7
Telecommunications	61XX	1	.8	1	.8
Construction of buildings	41XX	1	.8	1	.8
<b>Total Firms</b>		<b>120</b>	<b>100</b>	<b>120</b>	<b>100</b>
%= Percent, f = frequency (number of companies)					

Listed Pakistani companies were chosen for this research for a number of reasons. Firstly, listed companies are more likely to disclose CSR information than other (or non-listed) companies. This study examines determinants of CSR disclosure and to determine these relationships, CSR disclosure must be present. Secondly, this research is checking the relationship of various normative institutions (e.g. CSR frameworks and networks, CSR standard setting institutions, WWF) with CSR disclosure. It is expected that leading companies would be members of these

institutions. Further, the selection of leading companies is consistent with the previous CSR disclosure literature (see Newson & Deegan, 2002; Hackston & Milne, 1996; Vuontisjarvi, 2006; Branco & Rodrigues, 2008; Bouten et al., 2011). Newson & Deegan (2002) selected 50 largest commercial and industrial companies from Australia and New Zealand in their social disclosure study. Hackston and Milne (1996) selected the largest companies of New Zealand in their social and environmental disclosure study. Vuontisjarvi (2006) also selected 160 largest Finnish companies to investigate human resource disclosure (a part of CSR disclosure). Similarly, Branco and Rodrigues (2008) selected listed companies in their social and environmental disclosure study and assumed that the listed companies were more likely to provide social disclosure than non-listed companies. Bouten et al. (2011) also selected a sample of all Belgian publicly traded companies listed at Euronext Brussels in their CSR reporting study.

## **6.2 Quantity of Disclosure**

The 'quantity' of CSR disclosure refers to both the extent and level of CSR disclosure and is discussed below.

### **6.2.1 Extent of CSR disclosure**

The extent of disclosure is used as a proxy of the importance given by the firm to different aspects of CSR: environment, human resources, product and consumer, and community involvement issues (Mahadeo et al, 2011b). Table 6.3 provides the picture of CSR disclosure practices of listed companies of Pakistan and shows changes of disclosure over time (2008-2011) based on frequency of disclosure and number of relevant sentences. In total, 74% companies in 2008 and 91% companies

in 2011 have reported at least one indicator under any theme of CSR disclosure. This shows a substantial increase in the number of companies practicing CSR disclosure in 2011. Particularly focusing on CSR dimensions, the majority of the companies disclosed at least one indicator about products and consumers (84 companies, 70%), human resources (78 companies, 65%), and general CSR issues (75 companies, 63%) and relatively a small number of companies provided environmental indicators (54 companies, 45%) and community involvement disclosure (48 companies, 40%) in 2008. In 2011, the majority of the companies disclosed information about products and consumers (88 companies, 73%), human resources (85 companies, 71%), general issues (78 companies, 65%), and community involvement activities (73 companies, 61%) and relatively a small number of companies disclosed information about environmental issues (57 companies, 48%). These results show an increase in the number of companies making product and consumer disclosure, human resource disclosure, environmental disclosure in general and a substantial increase in the number of companies making community involvement disclosure in particular in 2011. This indicates that the sampled companies' interest in CSR disclosure in general and in CSR disclosure dimensions in particular have increased in 2011.

**Table 6.3: Descriptive statistics of extent of CSR disclosure measure in Pakistani KSE listed companies**

CSR disclosure aspects	2008	2011
<b>Environmental Disclosure (Quantity)</b>		
Number of companies providing at least one disclosure (Percent)	54 (45%)	57 (47.50%)
Total sentence disclosed	594	977
Disclosure sentences as a %age of total sentences	14.14%	15.55%
Average disclosure per company	4.94	8.14
Standard Deviation	12.78	26.15
Range (sentences)	97 - 0	261 - 0
Median	0	0
Skewness	4.58	7.96
<b>Human Resource Disclosure (Quantity)</b>		
Number of companies providing at least one disclosure (Percent)	78 (65%)	85 (70.83%)
Total sentence disclosed	1150	1604
Disclosure sentences as a %age of total sentences	27.41%	25.53%
Average disclosure per company	9.59	13.36
Standard Deviation	16.24	25.58
Range (Max. value – Min. value)	82 - 0	211 - 0
Median	2	2.75
Skewness	2.37	4.52
<b>Products and consumer Disclosure (Quantity)</b>		
Number of companies providing at least one disclosure (Percent)	84 (70%)	88 (73.33%)
Total sentence disclosed	454	690
Disclosure sentences as a %age of total sentences	10.82%	10.98%
Average disclosure per company	3.78	5.75
Standard Deviation	7.29	10.45
Range (Max. value – Min. value)	59 - 0	66 - 0
Median	1	2
Skewness	4.63	3.13
<b>Community Involvement Disclosure (Quantity)</b>		
Number of companies providing at least one disclosure (Percent)	48 (40%)	73 (60.83%)
Total sentence disclosed	808	1316
Disclosure sentences as a %age of total sentences	19.25%	20.96%
Average disclosure per company	6.73	10.97
Standard Deviation	17.07	22.67
Range (Max. value – Min. value)	102 - 0	118 - 0
Median	0	2
Skewness	3.54	2.86
<b>General Disclosure (Quantity)</b>		
Number of companies providing at least one disclosure (Percent)	75 (63%)	78 (65.00%)
Total sentence disclosed	1062	1510
Disclosure sentences as a %age of total sentences	25.31%	24.05%
Average disclosure per company	8.85	12.59
Standard Deviation	14.88	20.18
Range (Max. value – Min. value)	87 - 0	129 - 0
Median	2	4
Skewness	2.74	2.74
<b>Total CSR Disclosure (Quantity)</b>		109
Number of companies providing at least one disclosure (Percent)	89 (74%)	(90.83%)
Total sentence disclosed	4198	6280
Disclosure sentences as a %age of total sentences	100.00%	100.00%
Average disclosure per company	34.98	52.33
Standard Deviation	54.39	88.31
Range (Max. value – Min. value)	318 - 0	672 - 0
Median	13	16
Skewness	2.47	3.72

Note: Sample size for each year is 120 companies

In terms of number of sentences, the sampled companies devoted 27.41% and 25.53% of the total number of CSR sentences in 2008 and 2011 to human resource issue respectively. The general disclosure dimension (2008: 25.31%; 2011: 24.05%), the community involvement dimension (2008: 19.25%; 2011: 20.96%), the environmental dimension (2008: 14.14%; 2011: 15.55%), and the product and consumer dimension (2008: 10.82%; 2008: 10.98%) are stood at second, third, fourth, and fifth position in terms of percentage of total number of CSR sentences respectively in both years 2008 and 2011 (see Table 6.3). In terms of the average number of sentences, the sampled companies allocated 34.98 and 52.33 sentences, on average to describe their CSR performance in 2008 and 2011 respectively. This reveals a substantial increase in the number of sentences devoted to CSR activities between 2008 and 2011 which indicates that sampled companies have started giving more importance to CSR reporting activity. The range in 2008 is 0 to 318 (sentences), while the range in 2011 is 0 to 672 (sentences). This indicates that there is a notable spread in CSR disclosure among the sampled companies. Moreover, the median of CSR disclosure (extent) shows that 50% of sampled companies disclosed a maximum of 13 sentences in 2008 and of 16 sentences in 2011. Skewness statistics (2008: skewness = 2.47, 2011: skewness = 3.72) complemented this point, showing that CSR disclosure is positively skewed in both years. This indicates that the majority of the sampled companies made a small level of disclosure.

For the interpretation, relying only on frequency count (e.g. number of companies reported at least one indicator) may be misleading because it treats companies which disclose one or more themes (or their indicators) under any dimension of CSR



as equal. It can be seen from Table 6.3 in which the majority of the companies (70%) disclosed at least one indicator about the products and consumers disclosure but in terms of number sentences, the sampled companies devoted a least number of sentences to this dimension. This shows companies' concern/interest in the product and consumer disclosure dimension but, based on number of sentences disclosed, the sampled companies have given least importance to the products and consumers disclosure dimension. Therefore measurements using: frequency counts and the number of sentences should be interpreted carefully.

The discussion presented above shows a substantial difference between the CSR disclosures made in 2008 and 2011. To draw valid inferences, a paired sample Wilcoxon (non-parametric) test<sup>57</sup> was carried out to check the difference between the extent of disclosure in 2008 and 2011. This test shows a significant positive increase in the extent of total CSR disclosure (Z statistic: 4.932, p value: 0.000) and its dimensions: environment (Z statistic: 2.761, p value: 0.006), human resources (Z statistic: 3.001, p value: 0.003), products and consumers (Z statistic: 2.910, p value: 0.004), community involvement (Z statistic: 4.303, p value: 0.000), and general disclosure (Z statistic: 3.305, p value: 0.000) in 2011 (see Table 6.4).

### 6.2.2 Level of CSR Disclosure

The level of CSR disclosure represents a number of themes related to CSR which are being disclosed by the company (Branco & Rodrigues, 2008; Gao, Heravi, & Xiao, 2005). In other words, it represents the breadth of issues reported by the

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<sup>57</sup> There is a reason to use Wilcoxon test because this test does not assume normality assumption (Coakes, Steed, & Dzidic, 2006) and CSR disclosure scores (in 2008 and 2011) violate the assumption of normality. Moreover, Wilcoxon (non parametric) test was also carried out by Haniffa and Cooke (2005) to measure the extent of disclosure difference between two years of study 1996 and 2002.

company. The results showed that the level of CSR disclosure has increased with the passage of time, as the sampled companies' CSR disclosure (level) index has increased from 22.85% in 2008 to 27.22% in 2011. This indicates that the sampled companies reported more themes in 2011 than 2008. Focussing on each dimension of CSR, the environmental dimension (level) index score in 2008 is 17.04%, which is lower than the environmental disclosure (level) index score (21.87%) of 2011. Similarly, the sampled companies gave less attention to human resources (2008:21.88%; 2011:25%), products and consumers (2008:27.92%; 2011:30.63%), and community involvement disclosures themes (2008:19.30%; 2011:26.67%) in 2008 when compared with 2011 (see Table 6.4). This evidence shows the increase in the breadth of CSR disclosure activities. In other words, the scope of CSR reporting is increasing with the passage of time (2008-2011). Further, the lower index score of each dimension shows that all the themes under each dimension are not equally important to each firm.

As a further test the Wilcoxon (non-parametric) test was carried out on the difference between the level of CSR disclosure in 2008 and in 2011. This test was conducted on overall CSR disclosure and its dimensions. Wilcoxon signed ranks test showed a significant positive difference in CSR disclosure (Z statistic = 3.851, p-value = .000) and its three dimensions: environmental (Z statistic 2.522, p-value = .012), human resource (Z statistic = 2.109, p-value = 0.035), and community involvement disclosure (Z statistic = 3.353, p-value = 0.001) between 2008 and 2011. This evidence indicates that the sampled companies give more importance to themes under CSR disclosure in general and to themes under environment, human

resource, and community involvement disclosure in particular in 2011 when compared to 2008.

**Table 6.4: Paired Sample Wilcoxon (non-parametric) Test for CSR disclosure (quantity) in Pakistani KSE listed companies**

CSR disclosure aspects	Mean		Z Statistic	P-Value
	2008	2011		
<b>Environmental Disclosure (Quantity)</b>				
Sentence disclosure	4.95	8.14	2.761	.006***
Environment disclosure index (i.e. level of disclosure)	17.04%	21.87%	2.522	.012**
<b>Human Resource Disclosure (Quantity)</b>				
Sentence disclosure	9.59	13.36	3.001	.003***
Human resource disclosure index (i.e. level of disclosure)	21.88%	25.00%	2.109	.035**
<b>Products and consumer Disclosure (Quantity)</b>				
Sentence disclosure	3.78	5.75	2.910	.004***
Product and consumer disclosure index (i.e. level of disclosure)	27.92%	30.63%	1.266	.206
<b>Community Involvement Disclosure (Quantity)</b>				
Sentence disclosure	6.73	10.97	4.303	.000***
Community Involvement disclosure index (i.e. level of disclosure)	19.30%	26.67%	3.353	.001***
<b>General Disclosure (Quantity)<sup>58</sup></b>				
Sentence disclosure	8.85	12.59	3.305	.001***
<b>Total CSR Disclosure (Quantity)</b>				
Sentence disclosure	34.98	52.33	4.932	.000***
Number of indicators disclosed (i.e. level of disclosure)	22.85%	27.22%	3.851	.000***
Note: Each year's sample contains 120 companies * significant at 10% level, ** significant at 5% level, *** significant at 1% level				

### 6.3 Quality of CSR Disclosure

This section discusses CSR disclosure quality, which has four major dimensions: environment, human resources, products and consumers, and community involvement and one minor dimension i.e. general disclosure. Each dimension of CSR disclosure encompasses themes, which are further divided into three categories: aims/intentions, actions, and performance indicators, representing quality characteristics. Each category of a CSR disclosure theme has indicators, which are used to determine whether a company has reported information about a particular category of a CSR disclosure theme. Each dimension of CSR disclosure, its themes, categories, and indicators are discussed below:

<sup>58</sup> General disclosure (level) was not calculated here because it is residual category and can be considered one theme only.

### 6.3.1 Environmental Disclosure

The result showed that 45% and 47.5% of the sampled companies disclosed information about environment issues in 2008 and 2011 respectively (see Table 6.3).

**Table 6.5: Environmental Disclosure (Quality) themes**

THEMES AND CATEGORIES (NATURE OF DISCLOSURE)	Year					
	2008			2011		
	N	ND	Percent	N	ND	Percent
<b>Environmental Pollution</b>	33	87	27.50%	35	85	29.17%
Aims/intentions:	24	96	20.00%	27	93	22.50%
Actions:	25	95	20.83%	25	95	20.83%
Performance:	10	110	8.33%	11	109	9.17%
<b>Conservation of Natural Resources</b>	10	110	8.33%	15	105	12.50%
Aims/intentions:	9	111	7.50%	9	111	7.50%
Actions:	6	114	5.00%	11	109	9.17%
Performance:	2	118	1.67%	3	117	2.50%
<b>Energy</b>	14	106	11.67%	27	93	22.50%
Aims/intentions:	9	111	7.50%	23	97	19.17%
Actions:	9	111	7.50%	18	102	15.00%
Performance:	6	114	5.00%	8	112	6.67%
<b>Aesthetics</b>	5	115	4.17%	9	111	7.50%
Aims/intentions:	2	118	1.67%	6	114	5.00%
Actions:	4	116	3.33%	5	115	4.17%
Performance:	3	117	2.50%	4	116	3.33%
<b>Environment Other</b>	47	73	39.17%	50	70	41.67%
Aims/intentions:	47	73	39.17%	49	71	40.83%
Actions:	4	116	3.33%	10	110	8.33%
Performance:	0	120	0.00%	2	118	1.67%

Note: Each year's sample contains 120 companies. N: Companies disclosed information about themes and themes categories. ND: Companies not disclosed information about themes and categories

#### 6.3.1.1 Disclosed themes

Table 6.5 presents the comprehensive picture of environmental disclosure themes and their categories. In 2008, the themes which are disclosed the most are environmental pollution (33 companies, 28%) and energy theme (14 companies, 12%), and the themes which receive the least attention are 'conservation of natural resources' (10 companies, 8.33%) and 'aesthetics' theme (5 companies, 4.17%). In addition to this, 47 (39%) companies reported about 'environment other' theme. In 2011 the sampled companies also focused more on environmental pollution (35 companies, 29%) and energy theme (27 companies, 24%) and gave the least attention to 'conservation of natural resources' (15 companies, 13%) and 'aesthetics'

theme (9 companies, 8%). Moreover, the 'environment other' theme attracted the attention of 50 companies (42%) in 2011. This indicates that the sampled companies gave relatively more attention to environmental pollution and energy themes in 2011. The results also show that the sampled companies mainly disclosed information about the aims and action indicators (see Table 6.5).

**Table 6.6: Most commonly disclosed environmental disclosure aims and action indicators**

THEMES AND CATEGORIES (NATURE OF DISCLOSURE)	year					
	2008			2011		
	N	ND	%	N	ND	%
<b>Environmental Pollution</b>						
Pollution abatement	22	98	18.33%	23	97	19.17%
Compliance with environmental laws and regulations (i.e. ISO 14000, GOTS)	17	103	14.17%	15	105	12.50%
<b>Energy:</b>						
Conservation of energy in the conduct of business operations	9	111	7.50%	23	97	19.17%
<b>Environment Other:</b>						
Environmental protection (in general)	46	74	38.33%	48	72	40.00%

N: Number of companies disclosed information about aim/intention and action indicators. ND: Number of companies not disclosed information about aim/intention and action indicators.

Note: Note: Each year's sample contains 120 companies

### 6.3.1.2 Disclosed Indicators

In 2008, the most support was received by 'environmental protection' indicator (46 companies, 38%) followed by 'pollution abatement' (22 companies, 18%), and 'complying with environmental rules and regulations' indicator (17 companies, 14%). Consistent with 2008, 48 companies (40%) reported on 'environmental protection', 23 (19%) companies disclosed information about 'pollution abatement', and the same number of companies reported information about 'complying with environmental laws and regulations' in 2011. Contrary to the above indicators, none of the performance indicators were supported by at least 10 companies in 2008 and 2011. This indicates that most of the companies made qualitative (or declarative) types of disclosure (see Table 6.6). The following section presents a discussion focussing on each theme of environmental disclosure.

### 6.3.1.3 Environmental pollution

‘Environmental pollution’ covers references made to control or to reduce the environmental pollution (e.g. noise, emissions, effluents etc.). It includes many action indicators such as research and development, anti-litter campaigns, installation of equipment, and noise education, and performance indicators such as amount of pollution reduced, number of trees planted (to reduce pollution), environmental awards and amount of money spent on environmental protection. Many of the companies documented the environmental pollution theme in 2008 (28% companies) and 2011 (29% companies). Under this theme 24 companies (20%) in 2008 and 27 companies (23%) in 2011 showed their commitment to abate pollution. In addition to this, 25 companies (21%) in both 2008 and 2011 reported information on action indicators, while only 10 companies (8%) in 2008 and 11 companies (9%) in 2011 disclosed information about performance indicators. This reveals that many of the companies documented disclosure in a qualitative way. Here qualitative evidence means that companies are reporting information in a declarative way rather than providing quantitative evidences. The most commonly disclosed indicators are ‘companies’ commitment to reduce environmental pollution’ (18% in 2008 and 19% in 2011), ‘compliance with environmental laws’ (2008:14%, 2011:13%), ‘installation of new equipment’ (2008:5%; 2011:6%), ‘environmental management system in place’ (6% each in 2008 and 2011), and ‘environmental awards’ indicators (6% in 2008 and 8% in 2011).

In addition, a small number of companies reported information about other environmental pollution indicators such as ‘research and development’ (2008:3%; 2011:1%), ‘anti-litter campaign’ (2008:1%; 2011:3%), ‘tree plantation to reduce

pollution' (2008:3%; 2011:6%), 'noise education programmes' (2008:2%; 2011:2%), 'noise protective gadgets' (2008:2%; 2011:1%), 'amount of pollution reduced' (2008:1%; 2011:2%), 'number of trees planted' (2008:2%; 2011:1%), and 'amount spent on environmental protection projects' (2008:0%; 2011:1%). This indicates that the sampled companies are paying relatively more attention to expressing their commitment to reduce environmental pollution and to comply with environmental laws rather than to actions taken and result achieved.

#### **6.3.1.4 Conservation of Natural Resources**

This theme covers references made by the companies to the conservation of natural resources e.g. water, gas, oil, and other material etc. This includes indicators such as 'water recycling', 'material (e.g. paper) recycling', 'amount of material recycled or used', and 'amount spent to save natural resources'. Relative to the environmental pollution theme, a small number of companies reported the 'conservation of natural resources' theme (2008:8%; 2011:13%). In 2008, 9 (8%), 6 (5%), and 2 (2%) companies disclosed information about aims, actions, and performance indicators respectively. In 2011, more companies disclosed information about actions indicators (11 companies, 9%) followed by aims/intentions (9 companies, 8%), and performance indicators (3 companies, 3%). Thus a small number of companies disclosed performance indicators. Under this theme, the most commonly disclosed indicators are: 'conservation of natural resources' (2008:8%; 2011:8%), 'water recycling' (2008: 3%; 2011:7%), and 'recycled material usage' (2008:2%; 2011:3%). Moreover, a few companies disclosed the performance indicators i.e. 'quantity of water recycled or used' (1 company in 2011), 'quantity of paper recycled' (1

company in 2008), and 'quantity of other natural resources saved' (1 company in each years 2008 and 2011).

#### 6.3.1.5 Energy

The theme of 'Energy' encompasses references related to firms' efforts to save/conserv energy and to produce renewable energy e.g. wind energy and solar energy etc. Compared with 2008 (12%), more companies (23%) disclosed information about this theme in 2011. This shows a substantial increase in the number of companies reporting the energy theme. Nine companies (8%) in 2008 and 23 companies (19%) in 2011 showed their commitment to conserving energy. Moreover, 8 (8%) companies in 2008 and 18 companies (15%) in 2011 reported actions taken to conserve energy. Relative to the aims and actions indicators, a small number of companies disclosed performance indicators (2008:5%; 2011:7%). This shows that the disclosed information is qualitative in nature. Under the energy theme, the most commonly disclosed action and performance indicators are 'efficient usage of energy in manufacturing process' (2008:2%; 2011:6%), 'usage of waste material for energy production' (2008:3%; 2011:5%), 'organization of energy saving awareness programmes' (2008:0%; 2011:5%), 'usage of renewable energy' (2008:2 companies; 2011:6 companies), 'up-gradation of system' (2008:2 companies; 2011:3 companies), 'expanses on energy conservation programmes' (2008:2 companies; 2011:3 companies), and 'quantity of energy saved' (2008: 3 companies; 2011:1 company). Despite the above indicators, a few companies documented other energy theme indicators such as 'energy shortage awareness programmes' (1 company in each year: 2008 and 2011) and 'energy saving results' (one company in 2008).



### 6.3.1.6 Aesthetics

The theme of 'Aesthetics' covers references related to firms' efforts to beautify the environment (broadly) or to make the factory environmentally friendly (narrowly). When compared with the other environmental disclosure themes, a relatively small number of companies made disclosures about this theme (4% in 2008 and 8% in 2011). Under this theme, two companies (2%) in 2008 and 6 companies (5%) in 2011 showed their intention to make the factory environmentally friendly (narrowly defined scope). Moreover, the sampled companies reported other indicators such as 'sponsoring gardening and flower competitions' (1 company in each year 2008 and 2011), 'planting trees' (3 companies in each 2008 and 2011), 'number of trees planted' (3 companies in each 2008 and 2011), and 'amount spent on tree plantation' (1 company in 2011).

### 6.3.1.7 Environment other

'Environment other' covers issues related to the environment which are not covered by the other environment disclosure themes. This theme covers indicators such as 'companies' general commitment to protect the environment', 'environmental awareness programmes for employees', 'general environmental awareness programmes', 'amount spent on environmental awareness programmes', and 'number of people received environmental training'. This theme was supported by a large number of companies (2008: 39%; 2011: 42%). Under this theme, a large number of companies made a general commitment to protect the environment (2008: 38%; 2011: 40%) and a small number of companies reported environmental awareness programmes for employees e.g. earth day and world environmental day celebrations etc. (2008: 3%; 2011: 8%). Moreover, a few companies disclosed

information about money spent on environmental training of employees (1 company in 2011) and people received environmental training (1 company in 2011). This also shows that a few companies made disclosure about performance indicators.

### 6.3.2 Human Resource Disclosure

The results revealed that 65% and 70.83% of the sampled companies disclosed information about the human resource dimension in 2008 and 2011 respectively.

**Table 6.7: Human resource disclosure (quality) themes**

THEMES AND CATEGORIES (NATURE OF DISCLOSURE)	Year					
	2008			2011		
	N	ND	Percent	N	ND	Percent
<b>Training and Staff Development</b>	<b>56</b>	<b>64</b>	<b>46.67%</b>	<b>63</b>	<b>57</b>	<b>52.50%</b>
Aims/intentions:	43	77	35.83%	50	70	41.67%
Actions:	40	80	33.33%	48	72	40.00%
Performance:	9	111	7.50%	17	103	14.17%
<b>Pay and Benefits</b>	<b>29</b>	<b>91</b>	<b>24.17%</b>	<b>26</b>	<b>94</b>	<b>21.67%</b>
Aims/intentions:	14	106	11.67%	17	103	14.17%
Actions:	19	101	15.83%	13	107	10.83%
Performance:	6	114	5.00%	5	115	4.17%
<b>Participation and Staff Involvement</b>	<b>20</b>	<b>100</b>	<b>16.67%</b>	<b>22</b>	<b>98</b>	<b>18.33%</b>
Aims/intentions:	20	100	16.67%	19	101	15.83%
Actions:	3	117	2.50%	5	115	4.17%
Performance:	2	118	1.67%	1	119	0.83%
<b>Health and Safety and Individual Well-being</b>	<b>57</b>	<b>63</b>	<b>47.50%</b>	<b>65</b>	<b>55</b>	<b>54.17%</b>
Aims/intentions:	56	64	46.67%	65	55	54.17%
Actions:	24	96	20.00%	36	84	30.00%
Performance:	12	108	10.00%	10	110	8.33%
<b>Measurement of Policies</b>	<b>3</b>	<b>117</b>	<b>2.50%</b>	<b>3</b>	<b>117</b>	<b>2.50%</b>
Aims/intentions:	1	119	0.83%	1	119	0.83%
Actions:	0	120	0.00%	1	119	0.83%
Performance:	3	117	2.50%	2	118	1.67%
<b>Employment Policy</b>	<b>8</b>	<b>112</b>	<b>6.67%</b>	<b>14</b>	<b>106</b>	<b>11.67%</b>
Aims/intentions:	0	120	0.00%	0	120	0.00%
Actions:	7	113	5.83%	14	106	11.67%
Performance:	3	117	2.50%	4	116	3.33%
<b>Equal Opportunities</b>	<b>35</b>	<b>85</b>	<b>29.17%</b>	<b>44</b>	<b>76</b>	<b>36.67%</b>
Aims/intentions:	35	85	29.17%	44	76	36.67%
Actions:	6	114	5.00%	9	111	7.50%
Performance:	1	119	0.83%	2	118	1.67%
<b>Work-life Balance</b>	<b>2</b>	<b>118</b>	<b>1.67%</b>	<b>3</b>	<b>117</b>	<b>2.50%</b>
Aims/intentions:	2	118	1.67%	3	117	2.50%
Actions:	0	120	0.00%	1	119	0.83%
Performance:	0	120	0.00%	0	120	0.00%

Note: Each year's sample contains 120 companies. N: Companies disclosed information about themes and themes categories. ND: Companies not disclosed information about themes and categories

### 6.3.2.1 Disclosed themes

Table 6.7 provides a comprehensive picture of the human resource disclosures themes and their categories. Table 6.7 showed that a large number of sampled companies disclosed information about 'health, safety and individual wellbeing' (57 companies, 48%), 'training and development' (56 companies, 47%), and 'equal opportunities' themes (35 companies, 29%), while a small number of companies disclosed information about 'employment policy' (8 companies, 7%), 'measurement of policies' (3 companies, 2.5%), and 'work life balance' theme (2 companies, 1.67%) in 2008. Similar to 2008, the sampled companies focused more on 'health, safety and individual wellbeing' (54%), 'training and development' (53%), and 'equal opportunities' (37%) and a few companies provided information about 'measurement policies' and 'work-life balance' theme in 2011. Table 6.7 also showed that many of the companies for the year 2008 and 2011 reported about aims and actions indicators, which are qualitative in nature and relatively a small number of companies provided information about performance indicators, which are quantitative in nature (i.e. monetary and non-monetary quantitative evidence).

### 6.3.2.2 Disclosed indicators

Table 6.8 provides the list of human resource disclosures indicators, which has received the support of at least 10 companies. The maximum support was received by 'career development' indicator (37 companies, 31%) followed by 'non-discrimination/equal opportunity' (35 companies, 29%), 'in-house/outside training' (30 companies, 25%), and 'improved working conditions' (28 companies, 23%) in 2008. Similarly in 2011 the most commonly reported indicators are 'career development opportunities' (46 companies, 38%), 'in-house/outside trainings' (31

companies, 26%), 'improved working conditions' (36 companies, 30%), and 'occupational health and safety' (29 companies, 24%). Contrary to the aims and actions indicators, none of the performance indicators was supported by 10 or more companies in 2008. However, one indicator was supported by 13 (11%) companies in 2011. This provides evidence that the most of the companies' sampled disclosed information about human resource issues in the qualitative way. Now the attention is focused to the each theme of human resource disclosures.

**Table 6.8: Most commonly disclosed Human resource disclosure aims/intentions and action indicators**

THEMES AND CATEGORIES (NATURE OF DISCLOSURE)	Year					
	2008			2011		
	N	ND	%	N	ND	%
<b>Training and Staff Development</b>						
Provide career development opportunities	37	83	30.83%	46	74	38.33%
In-house/outside trainings	30	90	25.00%	31	89	25.83%
<b>Pay and Benefits</b>						
Reward according to their abilities and performance	14	106	11.67%	17	103	14.17%
Foster team work and employees participation	15	105	12.50%	13	107	10.83%
<b>Health and Safety and Individual Well-being</b>						
Stress on preventive activities (e.g. occupational health and safety)	21	99	17.50%	29	91	24.17%
Employees' health and safety	24	96	20.00%	26	94	21.67%
Improve working conditions	28	92	23.33%	36	84	30.00%
Health and safety training (e.g. fire-fighting drills)	13	107	10.83%	23	97	19.17%
Health and safety awareness programmes ( e.g. publish monthly health and safety bulletins, celebrating no smoking day, health and safety videos, safety presentations )				13	107	10.83%
Principle of non-discrimination/equal opportunities/diversity	35	85	29.17%	44	76	36.67%

N: Number of companies disclosed information about aim/intention and action indicators. ND: Number of companies not disclosed information about aim/intention and action indicators.

Note: Each year's sample contains 120 companies

### 6.3.2.3 Training and Development

The 'Training and Development' theme encompasses all of the references related to training and development of employees by the companies. A good number of companies (37 in 2008 and 46 in 2011) have shown their commitment to providing career growing opportunities to their employees. In addition to this, 30 (25%), 11 (9%), 7 (8%) and 5 (4%) companies disclosed information about the actions taken to provide career advancement opportunity for example: 'in-house/out-house training', 'training targeted to achieve formal qualification', 'seminars/workshops', and

'personal development plans' respectively in 2008. In addition to this, a few companies disclosed information about 'development discussions', 'study support to employees', and 'abroad training'. In 2011, 31(26%) companies disclosed information about 'in-house/out-house training' followed by 'training targeted to achieve formal qualification' (16 companies, 13%), 'seminars and workshops' (7 companies, 6%), 'abroad training' (4 companies, 3%), 'employees' studying support' (3 companies, 3%), 'job rotation' (2 companies, 2%), 'competence appraisal' (2 companies, 2%), and 'personal development plans' (2 companies, 2%). As far as the performance indicators are concerned, some companies published information about the time spent on training (3 companies, 2%) and the number of people trained (7 companies, 6%) in 2008. In comparison, a substantial number of companies disclosed information about performance indicators: 'number of employees trained' (13 companies, 11%), 'time spent on training' (6 companies, 5%), 'perception measures' (2 companies, 2%), and 'cost of training' (1 company, 1%) in 2011.

#### **6.3.2.4 Pay and Benefits**

The theme of 'Pay and Benefits' covers various indicators such as 'incentive schemes', 'recreational activities', 'educational support', 'financial support to flood affected employees', 'perception measures', 'number of employees benefited', 'performance awards', and 'inflation allowance'. Consistent with Vuontisjarvi (2006), this theme excludes disclosures such as salaries and wages, pension, and other cost disclosure made by a firm to comply with accounting regulations. This theme was reported by 29 companies (24%) in 2008 and 26 companies (22%) in 2011. Under this theme, a small number of the sampled companies showed their commitment to rewarding employees according to their abilities and performance in

2008 (14 companies, 12%) and 2011 (17 companies, 14%). Under the action category of the theme, the companies reported 'arranging recreational activities for employees' (8% companies in 2008, 5% companies in 2011), 'incentive schemes' (3% in 2008, 1% in 2011), 'educational support for employees' children' (3% in 2008 and 2011), 'sending employees on hajj prayer' (1% in 2008 and 2011), and 'inflation allowance' (1% in 2008). Relative to the aims and actions indicators of this theme, a few companies reported performance indicators such as 'performance awards' (1 company in each year 2008 and 2011), 'inflation allowance' (1 company in 2008), and 'perception measures' (1 company in each 2008 and 2011). Overall, qualitative types of pay and benefits indicators received more attention of the sampled companies than quantitative indicators.

#### **6.3.2.5 Participation and staff involvement**

The 'Participation and Staff Involvement' theme covers issues of employees' consultation, trade union relations, co-operation, and all references to efforts to involve employees in decision making (Vuontisjärvi, 2006). This theme was reported by 20 (17%) companies in 2008 and 22 (18%) companies in 2011. Under this theme, 15 (13%) companies in 2008 and 13 (11%) companies in 2011 showed their commitment to team work and employees' participation in decision making. In addition to this a few companies provided references to 'team work' (1% in 2008 and 2011), 'a cooperative body' (1 company in 2011), 'intranet' (2 companies in 2011), 'work force meetings' (1 company in 2008), 'personal newsletters' (1 company in both 2008 and 2011), and 'information about corporate strategy' (1 company in 2011). Inconsistent with the aims and actions indicators, a relatively small number of companies (2 companies in 2008 and 1 company in 2011) reported their

performance indicators. This reveals that more companies made qualitative (declarative) disclosures than quantitative disclosures under this theme.

#### **6.3.2.6 Health and safety and Individual well-being**

The 'Health and Safety/ Individual Well-Being' theme covers issues of companies' intention or commitment to improve occupational (or employees) health and safety and also covers various actions taken to prevent industrial accidents and their results. Health and safety is a commonly disclosed theme and a large number of companies (48% in 2008 and 54% in 2011) have reported this theme. In both years 2008 and 2011, many of the companies reported their commitment to occupational health and safety (18% in 2008 and 24% in 2011), 'safe working environment' (23% in 2008 and 30% in 2011), 'health and safety trainings' (11% in 2008 and 19% in 2011), and 'health and safety awareness programmes' (4.17% in 2008 and 11% in 2011) indicators. In addition to this, the companies reported information about 'support for sports', 'training advice on health issues', 'general practitioner services', 'special doctor advice', 'occupational health and safety system', 'analysis of work related accidents', and 'health and safety detective devices' (see appendix 13). Ten percent of companies in 2008 and 8% in 2011 disclosed performance indicators. However, the most commonly reported indicators are 'number of man hours achieved' (5% in 2008 and 4 % in 2011), 'number of employees trained' (3 companies in 2008 and 2011), and 'number of occupational injuries' (3 companies in 2008). In addition, a few companies reported other indicators such as 'rate of absence', 'occupational health cost', 'perception measures', 'health and safety awards', and 'training hours' (see Appendix 13). In final a comparison to the performance indicators, more companies reported the aims and actions indicators.

This reveals that more companies disclosed information qualitatively than quantitatively.

#### **6.3.2.7 Measurement Policies**

This theme of 'Measurement Policies' encompasses references to companies' internal and external efforts to measure the success of human resource management practices. It includes many indicators such as internal surveys, external surveys, retention rate, human resource management awards, and staff turnover. It is the least reported theme and only 3 companies in 2008 and 2011 supported this theme. Under this theme, sampled companies reported their commitment to measure success of human resource related policies and process (1 company in both 2008 and 2011), work atmosphere or job satisfaction survey (1 company in 2011), staff turnover (1 company in 2008), human resource management awards (2 companies in 2008 and 1 company in 2011), and retention rate (1 company in 2008 and 2011). However, the sampled companies did not disclose information about other measurement policy indicators such as internal surveys, external surveys, break down by length of employment contract, average length of employment contract, and job satisfaction indices.

#### **6.3.2.8 Employment Policy**

The 'Employment Policy' theme covers references related to the recruitment policy of the company. This theme was neglected by Pakistani listed companies. Only 7% companies in 2008 and 12% companies in 2011 have reported this theme. Mainly reported indicators are traineeship for students (5% in 2008 and 9.17% in 2011), training and employment of disabled persons (3 companies in 2011), and number of



internships (2 companies in 2008 and 3 companies in 2011). However, the sampled companies did not provide information about other indicators such as summer and part-time employments, training and employment of aging people, and number of new recruits.

#### **6.3.2.9 Equal Opportunities**

The 'Equal Opportunities' theme covers all references (e.g. age, sex, ethnic minorities, disability) to the prohibition of discrimination or promotion of equal opportunities (Vuontisjärvi, 2006). This theme was supported by 29% companies in 2008 and 37% companies in 2011. The companies which reported on this theme mainly focused on their commitment to be an equal opportunity employer (29% in 2008 and 37% in 2011). In comparison a small number of companies reported about their actions or processes (5% in 2008 and 8% in 2011). The most commonly disclosed indicators under this category are codes of practice for sexual harassment (2 companies in 2008, 3 companies in 2011), codes of practice for bullying (3 companies in 2011), targeted recruitment to balance the gender ratio (1 company in 2008 and 2 companies in 2011), equal opportunity plans (1 company in 2011), and diversity training (1 company in 2008). In addition to this, a few companies disclosed information about two performance indicators: number of women working in management positions (1 company in both 2008 and 2011) and number of women working in the factory (1 company in 2011). Overall, under this theme, more sampled companies disclosed information in the qualitative way than in the quantitative way.

### 6.3.2.10 Work-life Balance

The 'Work-Life Balance' theme covers efforts taken by the firm to balance the work and the private life of an employee. This is among the least documented themes (2 companies in 2008 and 3 companies in 2011). Under this theme, 2 companies in 2008 and 3 companies in 2011 have shown their intention to balance employees' work and private life. Only one company in 2011 documented a flexitime option. Moreover, none of the sampled companies reported their performance indicators in 2008 and 2011.

### 6.3.3 Products and Consumers Disclosure (Quality)

The results revealed that most of the sampled companies disclosed information about products and consumers in 2008 (84 companies, 70%) and 2011 (88 companies, 73%).

**Table 6.9: Product and consumers disclosure (quality) themes and categories**

THEMES CATEGORIES OF DISCLOSURE)	AND (NATURE	Year					
		2008			2011		
		N	ND	Percent	N	ND	Percent
<b>Product Developments</b>		5	115	4.17%	8	112	6.67%
Aims/intentions:		2	118	1.67%	5	115	4.17%
Actions:		4	116	3.33%	7	113	5.83%
Performance:		1	119	0.83%	0	120	0.00%
<b>Product Safety</b>		8	112	6.67%	11	109	9.17%
Aims/intentions:		6	114	5.00%	8	112	6.67%
Actions:		3	117	2.50%	6	114	5.00%
Performance:		0	120	0.00%	0	120	0.00%
<b>Product Quality</b>		70	50	58.33%	72	48	60.00%
Aims/intentions:		66	54	55.00%	70	50	58.33%
Actions:		18	102	15.00%	23	97	19.17%
Performance:		2	118	1.67%	1	119	0.83%
<b>Consumers' Relations</b>		41	79	34.17%	48	72	40.00%
Aims/intentions:		37	83	30.83%	41	79	34.17%
Actions:		10	110	8.33%	17	103	14.17%
Performance:		1	119	0.83%	1	119	0.83%

Note: Each year's sample contains 120 companies. N: Companies disclosed information about themes and themes categories. ND: Companies not disclosed information about themes and categories

### 6.3.3.1 Disclosed themes

Table 6.9 provides the comprehensive picture of product and consumer related themes reported by the sampled companies. Table 6.9 showed that the 'product quality' theme was supported by the majority of the sampled firms in 2008 (70 companies, 58%) and 2011 (72 companies, 60%), followed by 'consumers relations' theme (2008:34%; 2011:40%), while the least reported themes were 'product development' (2008:4%; 2011:7%) and 'product safety' (2008:7%; 2011:9%). In addition to this, companies mainly reported information in the qualitative way.

### 6.3.3.2 Disclosed Indicators

Companies' commitment to improve/maintain quality was largely supported by the sampled companies in 2008 (66 companies, 55%) and in 2011 (70 companies, 58%), followed by 'customers' satisfaction' (2008: 26%; 2011: 28%), 'product quality audited by third party' (2008: 14%; 2011: 15%) and 'customer relationship building' indicator (2008: 8%; 2011: 12%). Moreover, none of the products and consumers' disclosure performance indicators were supported by at least 10 companies. This reveals that the most of the sampled companies made qualitative types of disclosure.

**Table 6.10: Most commonly disclosed indicators of products and consumer disclosure**

THEMES AND INDICATORS (NATURE OF DISCLOSURE)	Year					
	2008			2011		
	N	ND	%	N	ND	%
<b>Product Quality</b>						
Improve/maintain product quality	66	54	55.00%	70	50	58.33%
Product quality audited by third party (i.e. ISO 9000)	17	103	14.17%	18	102	15.00%
<b>Consumers' Relations</b>						
Customers' relationship building	10	110	8.33%	14	106	11.67%
Customers' satisfaction	31	89	25.83%	33	87	27.50%

N: Number of companies disclosed information about aim/intention and action indicators. ND: Number of companies not disclosed information about aim/intention and action indicators.

Note: Note: Each year's sample contains 120 companies

### **6.3.3.3 Product developments**

The 'Product Developments' theme covers references made by the firm to developing products (e.g. packaging). This was the least supported theme by the sampled companies in 2008 (5 companies: 4%) and 2011(8 companies: 7%). In this theme companies reported about 'intention to develop products' (2008:2%; 2011:4%), 'product developments including packaging' (2008:2%; 2011:5%), 'research and development' (2008:2%; 2011:1%), and 'research and development expenditure' (2008:1%; 2011:0%). In this theme, the companies mainly disclosed information in the qualitative way.

### **6.3.3.4 Product safety**

The 'Product Safety' theme covers references made to making the product safe to the consumers. This theme caught the attention of a small number of companies in 2008 (8 companies: 7%) and in 2011 (11 companies: 9%). Under this theme, the sampled companies only disclosed aims and actions indicators (see appendix 13). Indicators disclosed under this theme are: 'intention to improve product safety' (2008:5%; 2011:7%), 'meet applicable standards e.g. ISO22000 in food sector and Oeko Tex100 in textile' (2008:2%; 2011:2%), and 'products' negative impacts' (2008:1%; 2011:3%).

### **6.3.3.5 Product quality**

This theme covers references made to improve/maintain product quality. This theme received attention from the majority of the sampled firms in 2008 (70 companies, 58%) and in 2011(72 companies, 60%). A large number of companies reported

about their commitment to improve/maintain quality (2008:55%; 2011:58%) and to some extent reported actions taken to improve product quality (2008:15%; 2011:19%). A few companies reported about performance indicators (2008:2%; 2011:1%). Under this theme, indicators which received the attention of sampled companies are 'intention to improve product quality' (2008:55%; 2011:58%), 'product quality audited by third party e.g. ISO9000' (2008:14%; 2011:15%), 'employment of state of art machines' (2008:4%; 2011:6%), and 'product quality awards' (2008:2 companies; 2011:1 company).

#### **6.3.3.6 Consumers' Relations**

The 'Consumers' Relations' theme covers references made to a company's efforts (e.g. satisfaction surveys, customer complaint systems, free customer services, information security management) to satisfy customers. A substantial number of companies supported this theme (2008: 34%; 2011: 40%). Consistent with other themes, a large number of companies reported about aims (2008: 31%; 2011: 34%) and action indicators (2008: 8%; 2011: 14%) and a few companies reported performance indicators (2008: 1%; 2011: 1%). This shows that the majority of the companies reported this theme in the qualitative way. Indicators disclosed under this theme are 'commitment to satisfy customers' (2008:26%; 2011:28%), 'customers' satisfaction survey' (2008: 3 companies; 2011: 2 companies), 'customers' complaint system' (2008: 2%; 2011: 8%), 'product education e.g. properly labelled' (2008: 3 companies; 2011: 6 companies), 'free customer services' (2011: 3 companies), 'information security management system' (2008: 2 companies; 2011: 1 company), 'number of customers complaints' (2011: 1 company), and 'number of consumers educated' (2008:1 company).

### 6.3.4 Community Involvement Disclosure (Quality)

The results show that 40% and 61% of the sampled companies in 2008 and in 2011 respectively disclosed information about community related issues.

#### 6.3.4.1 Disclosed themes

The sampled companies gave more attention to 'support for education/training' theme (2008:28%; 2011: 40%) followed by 'support for public health' (2008:25%; 2011:37%). Contrary to the above, 'support for art and culture' and 'sponsoring sports/recreational projects' received attention from a few sampled companies (see Table 6.11). However, the 'other community activity' theme was supported by a large number of the sampled firms in 2008 (44 companies, 37%) and in 2011 (58 companies, 48%).

**Table 6.11: Community Involvement Disclosure (Quality) themes and categories**

THEMES AND CATEGORIES (NATURE OF DISCLOSURE)	Year					
	2008			2011		
	N	ND	Percent	N	ND	Percent
<b>Support for Education/training</b>	34	86	28.33%	48	72	40.00%
Aims/intentions:	23	97	19.17%	33	87	27.50%
Actions:	23	97	19.17%	43	77	35.83%
Performance:	10	110	8.33%	24	96	20.00%
<b>Support for Art and Culture</b>	4	116	3.33%	4	116	3.33%
Aims/intentions:	3	117	2.50%	2	118	1.67%
Actions:	2	118	1.67%	2	118	1.67%
Performance:	1	119	0.83%	1	119	0.83%
<b>Support for Public Health</b>	30	90	25.00%	44	76	36.67%
Aims/intentions:	19	101	15.83%	31	89	25.83%
Actions:	25	95	20.83%	40	80	33.33%
Performance:	11	109	9.17%	16	104	13.33%
<b>Sponsoring Sporting or Recreational Projects</b>	4	116	3.33%	6	114	5.00%
Aims/intentions:	2	118	1.67%	4	116	3.33%
Actions:	3	117	2.50%	4	116	3.33%
Performance:	0	120	0.00%	0	120	0.00%
<b>Other Community Activities</b>	44	76	36.67%	58	62	48.33%
Aims/intentions:	41	79	34.17%	48	72	40.00%
Actions:	19	101	15.83%	35	85	29.17%
Performance:	10	110	8.33%	17	103	14.17%

Note: Each year's sample contains 120 companies. N: Companies disclosed information about themes and themes categories. ND: Companies not disclosed information about themes and categories

**Table 6.12: Most commonly disclosed community involvement aim and action indicators**

Aims/ intention and action Indicators	year					
	2008			2011		
	N	ND	%	N	ND	%
<b>Support for Education/training</b>						
To promote public education	23	97	19.17%	33	87	27.50%
Establishing/renovating schools	9	111	7.50%	14	106	11.67%
Organize vocational courses/trainings (e.g. driving courses, mobile repairing, home appliances repairing, Technical diplomas)	6	114	5.00%	12	108	10.00%
Supporting educational institutions	10	110	8.33%	23	97	19.17%
<b>Support for Public Health</b>						
To make the public healthy	19	101	15.83%	31	89	25.83%
Running health awareness programmes (e.g. HIV/AIDS awareness programmes, blood screening camps, safety lectures)	6	114	5.00%	15	105	12.50%
Establish health institutions (i.e. hospitals and health care units)	14	106	11.67%	17	103	14.17%
Supporting NGOs providing healthcare facilities	10	110	8.33%	18	102	15.00%
<b>Other Community Activities</b>						
To develop/uplift community (facilities or infrastructure)	35	85	29.17%	43	77	35.83%
Donation of cash	7	113	5.83%	16	104	13.33%
Providing relief goods to flood/earth quake affected people	3	117	2.50%	21	99	17.50%

N: Number of companies disclosed information about aim/intention and action indicators. ND: Number of companies not disclosed information about aim/intention and action indicators.

Note: Note: Each year's sample contains 120 companies

### 6.3.4.2 Disclosed indicators

In 2008, the most commonly disclosed intention and actions indicators are: 'to show companies commitment to develop community' (35 companies, 29%), 'to provide support for education/training' (23 companies, 19%), 'to make the public healthy' (19 companies, 15%), and 'to establish health institutions' (12%). Consistent with 2008, the most commonly disclosed intention and action indicators in 2011 are 'to develop community' (36%), 'to provide support for education/training' (28%), and 'to improve public health' (26%). Apart from this, the substantial number of companies reported 'establishment of schools' (12%), 'organization of vocational courses' (10%), 'donation to educational institutions' (19%), 'health awareness programmes' (13%), 'establishment of health institutions' (14%), 'donation to health NGOs' (15%), 'flood relief efforts' (18%), and 'donations' (13%) in 2011. In addition to this, three performance indicators: 'money spent on education' (2008:4%; 2011:10%), 'number

of people benefited from health awareness programmes' (2008:7%; 2011:11%), and 'amount of donations' (2008:3%; 2011:11%) were supported by at least 10 sampled companies (see Table 6.12). This reveals that the sampled companies are giving more importance to aims and actions indicators, which are qualitative in nature.

**Table 6.13: Most commonly disclosed performance indicators of community involvement**

PERFORMANCE INDICATORS	Year					
	2008			2011		
	N	ND	%	N	ND	%
<b>Support for Education/training</b>						
Amount of money spent on education	5	115	4.17%	12	108	10.00%
<b>Support for Public Health</b>						
Number of people benefitting from health projects/ awareness programmes	8	112	6.67%	13	107	10.83%
<b>Other Community Activities</b>						
Amount of donation	4	116	3.33%	13	107	10.83%

: Number of companies disclosed information about aim/intention and action indicators. ND: Number of companies not disclosed information about aim/intention and action indicators.

Note: Note: Each year's sample contains 120 companies

#### 6.3.4.3 Support for education/training

This theme of 'Support for Education/ Training' covers references related to firms' efforts/activities to promote education in the country. This theme was supported by 28% companies in 2008 and 40% companies in 2011. This shows a substantial increase in the popularity of this theme in 2011. In both years, more companies disclosed information about aims/intentions (2008:19%; 2011:28%) and action indicators (2008:19%; 2011: 36%) than performance indicators (2008:8%; 2011:20%) of this theme. Under this theme, the most commonly disclosed indicators are 'promotion of public education' (2008:19%; 2011:28%), 'establishment/renovation of schools' (2008:8%; 2011:12%), 'organization of vocational courses' (2008:5%; 2011:10%), 'support for educational institutions' (2008:8%; 2008:19%), 'educational scholarships' (2008:6%; 2011:8%), 'expenses on education' (2008:4%; 2011:10%), and 'number of students benefited' (2008:4%; 2011:9%). In addition to the above, the least reported indicators are 'sponsorship to



educational conferences' (2008:1%; 2011:2%), 'educational projects with NGOs' (2008:1%; 2011:4%) 'amount of sponsorship', 'number of scholarships', 'number of students trained', and 'number of schools built' (see Appendix 13).

#### **6.3.4.4 Support for art and culture**

This theme covers firms' efforts/activities to promote the local country's art and culture. This theme did not receive much attention from the firms (3 companies in each year 2008 and 2011). Under this theme, the mainly disclosed indicators are: 'promoting Pakistani arts and culture' (2008:3 companies; 2011:2 companies), 'sponsoring art exhibition' (2008:2 companies), 'sponsoring cultural events' (2008:1 company), 'supporting social evening e.g. musical nights' (1 company in both year 2008 and 2011), and 'hosting arts events' (1 company in both year 2008 and 2011). In addition to this a few companies reported the performance indicators 'amount of sponsorships' (1 company in 2011) and 'number of people benefitting from the arts events' (1 company in 2008).

#### **6.3.4.5 Support for Public Health**

The 'Support for Public Health' theme covers references related to firms' efforts/activities to promote public health and their performance results. This theme received the attention of many companies in 2008 (25%) and in 2011(37%). Under this theme, more companies reported aims/intentions (2008:16%; 2011:26%) and action indicators (21%; 33%) than performance indicators (2008:9%; 2001:13%). This reflects that the sampled companies are mainly reporting information in the qualitative way. The most commonly disclosed indicators are 'commitment to promote health' (2008:16%; 2011:26%), 'sponsoring public health projects'

(2008:3%; 2011:4%), 'sponsoring medical trusts' (2008:4%; 2011:5%), 'running health awareness programmes' (2008:5%; 2011:13%), 'establishing health institutions e.g. hospitals, dispensaries' (2008:12%; 2011:14%), and 'supporting NGOs providing health care facilities' (2008:8%; 2011:15%). In addition to this, a relatively small number of companies reported about two performance indicators: 'amount of money spent on public health programmes' (2008:6%; 2011:5%) and 'number of people benefited' (2008:7%; 2011:11%). In addition, a few companies disclosed information about other action indicators such as 'conducting research on road accidents' (2008:0%; 2011:1%) and 'sponsoring national safety conferences' (2008:1%; 2011:0%).

#### **6.3.4.6 Sponsoring sports or recreational projects**

The 'Sponsoring Sports or Recreational Projects' theme encompasses references to firms' efforts to promote sports in the country. This theme is among the least supported themes of CSR disclosure in 2008 (3%) and 2011 (5%). Under this theme, a few sampled companies reported their commitment to promote sports in the country (2008:2%; 2011:3%) and their activities to promote sports (2008:3%; 2011:3%). Moreover, none of the companies reported performance indicators. This reveals that the companies are mainly reporting information in the qualitative way.

#### **6.3.4.7 Other community activities**

This 'Other Community Activities' theme covers references made to companies' other efforts to uplift the community. This theme was supported by many companies in 2008 (37%) and 2011 (48%). This shows a substantial increase in the number of companies, in 2011, supporting other community development activities. Under this

theme more companies disclosed information about aims (2008:34%; 2011:40%) and actions (2008:16%; 2011:29%) than performance indicators (2008:8%; 2011:14%). The most commonly disclosed indicators are: 'commitment to uplift community' (2008:29%; 2011:36%), 'development of infrastructure e.g. roads, parks, culverts', and bridges (2008:6%; 2011:3%), 'donations' (2008:6%; 2011:13%), 'donation of employees' time' (2008:2%; 2011:4%), 'installation of clean drinking water facilities' (2008:3%; 2011:4%), 'development of rehabilitation centres' (2008:2%; 2011:8%), 'relief efforts' (2008:3%; 2011:18%), and 'amount of donation' (2008:3%; 2011:11%). In addition, a few companies reported other indicators such as 'providing clean drinking water' (2008:2%; 2011:3%), 'providing support to local police' (2008: 2%; 2011:3%), 'donating company products' (2008:2%; 3%), and 'bearing mosques' maintenance cost' (2008:1%; 2011:3%). The sampled companies also reported a variety of performance indicators such as 'quantitative evidence of infrastructure development' (2008:3%; 2011:1%), 'money spent on community activities' (2008:2%; 2011:3%), 'number of clean drinking water facilities' (2008:0%; 2011:1%), 'amount of employees time' (2008:0%; 2011:1%), 'number of people benefited' (2008:0%; 2011:3%), 'number of rehabilitation centre built' (2008:0%; 2011:1%), and 'PCP awards' (2008:1%; 2011:1%).

### **6.3.5 General Disclosure**

The 'General Disclosure' theme covers all references to core values, statement of ethics, codes of ethics and codes of business practices. This theme also covers disclosures which do not lie within the other dimensions of CSR disclosure. This dimension of disclosure received attention from a large number of firms (2008:51%; 2011:53%). Under this theme, the sampled companies referred to 'general CSR

information' (2008:6%; 2011:6%), 'core values' (2008:25%; 2011:32%), 'statement of ethics and business practices' (2008:33%; 2011:35%), 'training to vendors and partners' (2008:3%; 2011:4%), and 'CSR awards' (2008:2%; 2011:6%).

### 6.3.6 Comparison of Quality of CSR Disclosure in 2008 and 2011

Keeping in mind the above description of each theme of CSR disclosure, it has been observed that most of the disclosed indicators lie under the aims and actions categories of a theme in both years 2008 and 2011. This point is further supported by the average disclosure (quality) score of a theme. Table 6.14 shows that majority of the CSR disclosure themes have an average (quality) score below 1<sup>59</sup> in 2008 and 2011. This shows that the majority of the themes are reported in the qualitative way. In addition to this, quality disclosure score of themes - except 'pay and benefits', 'participation and staff involvement', 'measurement of human resource policies', and 'support for art and culture themes' - have improved in 2011. The disclosure (quality) score of some themes have significantly increased since 2008. These themes are: 'energy' (Z statistic: 2.18, p-value: 0.030), 'training and development' (Z statistic: 2.81, p-value: 0.005), 'consumers' relations' (Z statistic: 2.15, p-value: 0.032), 'support for education and training' (Z statistic: 3.74, p value: 0.000), 'support for public health' (Z statistic: 3.12, p-value: 0.002), and 'other community activities' (Z statistic: 2.70, p-value: 0.007) (see Table 6.14). There are some reasons, to be discussed in the discussion section of this chapter, for the significant increase in the disclosure (quality) score of the aforementioned six themes only. It is also evident from Table 6.14 that there is a significant increase in the disclosure (quality) score for each of the following CSR dimensions: environment (Z statistic: 2.69, p-value:

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<sup>59</sup> Each theme can obtain maximum score of 7 (for details see methodology chapter).

0.007), human resource (Z statistic: 2.19, p-value: 0.005), products and consumers (Z statistic: 1.96, p-value: 0.050), and community involvement (Z statistic: 4.39, p-value: 0.000).

In addition to this, the overall disclosure (quality) score has significantly increased in 2011 (Z statistic: 5.08, p value: 0.000). All the above descriptive and Wilcoxon signed Rank test reveal the significant increase in the quality of CSR disclosure and its dimensions in 2011. Conclusively, this evidence support hypothesis H6, that there is a significant increase in CSR disclosure (extent, level, and quality) and its dimensions.

**Table 6.14: Paired Sample Wilcoxon (non-parametric) Test for CSR disclosure (quality) measure in Pakistani KSE listed companies**

CSR disclosure dimensions and their themes	Mean (standard deviation)		Z Statistic	P Value
	2008	2011		
<b>Environmental Disclosure (Quality )</b>	<b>2.26 (4.57)</b>	<b>3.02 (5.17)</b>	<b>2.69</b>	<b>0.007***</b>
Environmental Pollution	0.95 (1.86)	1.01 (1.95)	0.42	0.672
Conservation of Natural Resources	0.24 (1.03)	0.36 (1.94)	1.12	0.262
Energy	0.43 (1.49)	0.76 (1.68)	2.18	0.030**
Aesthetics	0.18 (1.01)	0.27 (1.12)	0.63	0.526
Environment Other	0.46 (0.67)	0.63 (1.03)	1.82	0.068*
<b>Human Resource Disclosure (Quality)</b>	<b>4.28 (5.99)</b>	<b>5.14 (6.48)</b>	<b>2.19</b>	<b>0.028**</b>
Training and Staff Development	1.33 (1.93)	1.78 (2.37)	2.81	0.005***
Pay and Benefits	0.63 (1.40)	0.53 (1.26)	0.66	0.508
Participation and Staff Involvement	0.28 (0.91)	0.28 (0.72)	0.14	0.887
Health and Safety and Individual Well-being	1.27 (2.02)	1.48 (2.00)	1.14	0.256
Measurement of Policies	0.11 (0.68)	0.09 (0.58)	0.14	0.888
Employment Policy	0.22 (0.93)	0.37 (1.19)	1.38	0.167
Equal Opportunities	0.43 (0.85)	0.58 (1.02)	1.78	0.075
Work-life Balance	0.02 (0.13)	0.04 (0.30)	1.13	0.257
<b>Products and consumer Disclosure (Quality)</b>	<b>1.64 (1.91)</b>	<b>1.98 (2.20)</b>	<b>1.96</b>	<b>0.050**</b>
Product Developments	0.12 (0.61)	0.16 (0.62)	0.85	0.397
Product Safety	0.10 (0.41)	0.17 (0.59)	1.12	0.263
Product Quality	0.92 (1.07)	1.00 (1.12)	0.85	0.398
Consumers' Relations	0.50 (0.96)	0.66 (1.07)	2.15	0.032**
<b>Community Involvement Disclosure (Quality)</b>	<b>3.00 (5.58)</b>	<b>4.98 (6.34)</b>	<b>4.39</b>	<b>0.000***</b>
Support for Education/training	0.91 (1.94)	1.79 (2.69)	3.74	0.000***
Support for Art and Culture	0.09 (0.67)	0.08 (0.59)	0.14	0.892
Support for Public Health	0.94 (2.04)	1.46 (2.37)	3.12	0.002***
Sponsoring Sporting or Recreational Projects	0.07 (0.38)	0.10 (0.48)	0.71	0.476
Other Community Activities	0.99 (1.92)	1.55 (2.36)	2.70	0.007***
<b>General Disclosure (Quality)<sup>60</sup></b>	<b>0.61 (0.792)</b>	<b>0.83 (1.23)</b>	<b>2.11</b>	<b>0.035**</b>
<b>Total CSR Disclosure (Quality)</b>	<b>11.78 (15.72)</b>	<b>15.95 (18.13)</b>	<b>5.08</b>	<b>0.000***</b>

Note: Each year's sample contains 120 companies \* significant at 10% level, \*\* significant at 5% level, \*\*\* significant at 1% level

<sup>60</sup> It is not a single theme rather a residual category. So care to be made in interpreting this category results.

## 6.4 Results and Theoretical Discussion

This chapter explores the quantity (i.e. extent and level) and quality of CSR disclosure and its dimensions, in the two years 2008 and 2011, by the listed companies of Pakistan. In general, 74% and 91% of the sampled companies in 2008 and in 2011 have reported at least one indicator of CSR issues. Specifically, a large number of the sampled companies reported at least one indicator about the products and consumers (70%) followed by the human resources (68%), the environment (45%), and the community involvement activities (40%) in 2008. The emphasis on CSR issues changed in 2011 in which year a majority of the sampled companies disclosed at least one indicator about the products and consumers (73%), followed by the human resource (71%), the community involvement (61%), and the environment (48%). The substantial increase in the community involvement disclosures in Pakistan can be attributed to the CSR Order, introduced in 2009 by the Security and Exchange Commission of Pakistan (SECP), a regulatory body. This Order requires the listed companies of Pakistan to report their CSR activities in the annual reports. Furthermore the items may be reported as CSR, in the CSR Order, predominantly fall under the community involvement disclosures. The results, mentioned above, also reveal the increase in number of companies reporting at least one indicator about their CSR practices in general and its dimensions in particular. This indicates that the listed companies of Pakistan have increased attention to CSR related issues with the passage of time. This result is consistent with the results of studies conducted in other developing countries (see Haniffa and Cooke, 2005; Mahadeo et al., 2011a). We will now discuss the quantity and quality of CSR disclosure.

The quantity of CSR disclosure encompasses both the extent and level of CSR disclosure. The extent of disclosure result shows that the sampled companies, in both years 2008 and 2011, have given the most attention (in term of average number of sentences disclosed) to human resource issues. This result is consistent with the existing studies in the developing countries: Bangladesh (Belal, 2001; Sobhani et al., 2009), Hong Kong (Gao et al., 2005), Thailand (Ratanajongkol, Davey, & Low, 2006), and Malaysia (Haniffa & Cooke, 2005), where companies have disclosed more information about human resource related activities than other CSR issues. This disclosure can be attributed to the introduction of laws by the government of Pakistan. The government has developed various laws to protect employees' safety and security, to ensure non-discrimination at work place, and to ensure provision of other benefits (e.g. old-age benefits) to employees (see Chapter 2). It can be argued that the government's emphasis on workers welfare might have motivated Pakistani listed companies to include employees-related issues in their voluntary disclosure. Further, listed companies might have disclosed information to present an image that the companies are complying with the state regulations. Thus institutional theory provides some insight to explain human resource disclosures. Stakeholder theory also provides some insights to explain human resource disclosure under which the disclosure might have been made to conform to the expectations of powerful stakeholders (i.e. the government here). Thus the disclosure may serve multiple purposes. However, actual reasons/motivations for the human resource disclosure by companies can be explored by directly eliciting views of companies' top executives.

The disclosure results have also revealed the substantial increase in the amount of CSR disclosure and its dimensions in 2011. These results are also consistent with other longitudinal studies in the developing countries such as Malaysia (Haniffa & Cooke, 2005), Mauritius (Mahadeo et al., 2011; Mahadeo et al., 2011b), Hong Kong (Gao et al., 2005), and Thailand (Ratanajongkol et al., 2006) showing that the amount of disclosure has increased with the passage of time. Moreover, the Wilcoxon signed ranks test has revealed the significant increase in CSR disclosure (extent) and its dimensions: environment, human resource, products and consumers, and community involvement in 2011. This result is also consistent with the results of Haniffa and Cooke (2005), who studied 278 annual reports (for the year 1996 and 2002) of 139 non-financial firms listed at Malaysian stock exchange and found a significant difference between the two years' environmental disclosure and employees' disclosure. This suggests that the importance of CSR issues in general and the importance of environment, human resource, products and consumers, and community related issues in particular have increased in Pakistan with the passage of time (2008-11). This increase can be attributed to overall level of awareness about social and environmental problems caused by the companies operating in Pakistan and supports the legitimacy theoretical argument that companies disclose CSR information to conform to the expectations of the broad society (legitimacy theory).

CSR disclosure (level) represents the breadth of CSR issues considered important by a company (see Branco & Rodrigues, 2008). In this study, Wilcoxon signed ranks test revealed a significant increase in CSR disclosure (level) and its dimensions: environment, human resources, and community involvement only in 2011. This result indicates that, in comparison to 2008, the listed companies of Pakistan have



broadened the scope of their CSR activities in 2011. This result is also consistent with Haniffa and Cooke (2005) who found a significant positive difference between 1996 and 2002 in the level of overall CSR disclosure and its dimensions. Thus the listed companies of Pakistan have not only given more importance to CSR issues but have also reported about more CSR issues with the passage of time (2008-2011). It is assumed that there has been increased public awareness about corporate social and environmental issues in Pakistan, mirroring some of the expectations set out in CSR Order 2009. In addition to this, other stakeholders e.g. media, NGOs and CSR promoting institutions have also paid attention to corporate social issues (see Chapter 2). The increase in the magnitude and level of CSR disclosure, by listed companies of Pakistan, may be targeted to respond to these multiple stakeholders' expectations (legitimacy theory).

As far as the quality of CSR disclosure is concerned, it has been shown that a majority of the sampled companies have reported aims (2008: 82%; 2011: 89%) and action indicators (2008: 55%; 2011: 63%) of CSR themes and relatively a small number of companies have provided reference to performance indicators (2008: 26%; 2011: 39%). The aims and action indicators are purely qualitative (or declarative) in nature, while the performance indicators are quantitative (cover both monetary and non-monetary quantitative) in nature. These results are consistent with the other CSR disclosure (quality) studies in the developing countries such as Thailand (Ratanajongkol et al., 2006) and Mauritius (Mahadeo et al., 2011b), which are showing that CSR disclosure is qualitative in nature. Moreover, the information disclosure about aims, actions, and performance indicators about a theme has increased in 2011. This shows that transparency in CSR disclosure in Pakistan is increasing with the passage of time. In addition to this, the results have revealed the

significant increase in CSR disclosure (quality) and its dimensions: environment (Z statistic: 2.69, p-value: 0.007), human resources (Z statistic: 2.19, p-value: 0.005), products and consumers (Z statistic: 1.96, p-value: 0.050), community involvement (Z statistic: 4.39, p-value: 0.000) in 2011. The data analysis results have also revealed a significant positive increases in seven CSR themes: 'energy' (Z statistic: 2.18, p-value: 0.030), 'training and development' (Z statistic: 2.81, p-value: 0.005), 'consumers' relations' (Z statistic: 2.15, p-value: 0.032), 'support for education and training' (Z statistic: 3.74, p value: 0.000), 'support for public health' (Z statistic: 3.12, p-value: 0.002), and 'other community activities' (Z statistic: 2.70, p-value: 0.007) in 2011. These results supplement the above argument that transparency in CSR disclosure is increasing in Pakistan. The significant increase in the quality of CSR disclosure and its dimensions in general, and its themes in particular can be attributed to the CSR Order introduced in 2009 by the Security and Exchange Commission of Pakistan (SECP). The CSR Order requires listed companies of Pakistan to disclose descriptive and monetary types of evidence about their CSR activities undertaken during the financial year. This Order consists of thirteen items which may be reported by a company in Pakistan. Out of thirteen items, five are related to the community involvement disclosure, four are related to the environment disclosure and human resource disclosure (two in each dimension) and two are related to the products and consumers disclosure and general disclosure (one in each dimension). These required items are considered legitimate in the institutional environment (of Pakistan) because these are required by the regulatory institution i.e. the SECP, which can place a coercive pressure on the firm to make CSR disclosure. It is evident from the findings that out of the seven significant themes except 'consumers' relation', six are highly required in the CSR Order. Thus, it can

be argued that listed companies of Pakistan have disclosed CSR information in response to coercive pressures from regulatory institutions i.e. the SECP (Institutional theory). The significant increase in CSR disclosure (and its dimensions and themes) can also be explained through the managerial variant of stakeholder theory, according to which companies may disclose information to respond to the powerful stakeholder's demands (i.e. the government).

The evidence of significant increase, as mentioned above, in the extent, level, and quality of CSR disclosure and its dimensions in 2011 are consistent with the previous studies and thus support the hypothesis H6 (i.e. CSR disclosure and types of disclosure has significantly increased in the annual reports published after 2009). Further it answers the first research question that focuses on determining the quantity and quality of CSR disclosure by Pakistani listed companies.

To get a further understanding of CSR disclosures, attention will now be paid to CSR disclosure themes and their indicators. As mentioned in the previous chapter that CSR disclosure has four dimensions: environment, human resource, products and consumers, and community involvement. Further, CSR disclosure has 23 themes and each theme has three categories (i.e. aims, actions, and performance), and each category has further indicators.

Under the environmental dimension, the main disclosed themes are 'environmental pollution' (2008: 28%; 2011: 29%), 'energy theme' (2008: 12%; 2011: 24%), and 'conservation of natural resources' (2008: 8.33%; 2011: 13%). The results have also revealed that at least 10 sampled companies have reported three and four environmental disclosure indicators in 2008 and in 2011 respectively. Under this dimension the most support was received by 'environmental protection' indicator

(2008: 38%, 2011: 40%) followed by 'pollution abatement' (2008: 18%; 2011: 19%), and 'complying with environmental rules and regulations' (2008: 14%; 2011: 19%). Contrary to the above indicators, none of the performance indicators were supported by at least 10 companies in 2008 and 2011. This indicates that most of the sampled companies have made qualitative (or declarative) types of disclosures about the environmental issues. This result is consistent with an environmental disclosure study conducted in South Africa - a developing country- where the sampled listed companies have made more general disclosures than specific disclosures (see De Villiers and Van Staden, 2006). This result is also consistent with Mahadeo et al. (2011b) where listed companies in Mauritius, another developing country, have also made environmental disclosures in the declarative way. It has been argued in the extant literature (see O'Dwyer, 2002) that companies usually find the general types of disclosures to be less threatening than the specific disclosures. In other words, specific environmental disclosure by the firm may attract unwanted attention of the public and may be a threat to its legitimacy (O'Dwyer, 2002; Solomon & Lewis, 2002; De Villiers & Van Staden, 2006). Thus the general (or declarative) types of environmental disclosure by listed companies of Pakistan can be considered as an attempt by them to avoid scrutiny of the ecological impact of their operations (legitimacy theory).

The result showed that Pakistani listed companies are less concerned, in terms of number of indicators reported, with the environmental issues comparative to the human resource and community involvement issues. The low level of environmental disclosure is not surprising as the same has been observed in the studies conducted in other developing countries' context (see Imam, 2002; Haniffa and Cooke, 2005; De-villiers and Van-Staden, 2006; Ratanajongkol et al., 2006; Mahadeo et al.,

2011a). This low level of environmental disclosure, under a pragmatic form of legitimacy, can be attributed to lower a level of interest of the immediate audience of the firm in environmental issues. In general, the public in developing countries are less concerned with the environmental issues than in developed countries (see De Villiers and Van Staden, 2006). Specifically, Pakistan has poor economic conditions, where a large number of people are deprived of access to basic facilities of life. In this situation, environmental issues might be of less concern to the relevant public. Thus pragmatic legitimacy provides an explanation for the dearth of environmental disclosure in Pakistan. In addition to the above, 17 sampled companies in 2008 and 15 sampled companies in 2011 expressed their acquisition of ISO certificate (e.g. ISO 14000). According to legitimacy theory these companies may be attempting to gain procedural legitimacy (a type of moral legitimacy) by adopting socially accepted techniques and procedures (see Suchman, 1995).

This low level of environmental disclosure in Pakistan can also be explained by institutional theory. There is an absence of effective emission, pollution and waste management system in Pakistan (see PEPA Working Paper<sup>61</sup>; Khawaja, 2012). Although environmental protection laws exist in Pakistan but they are not effectively implemented (HRCP, 2011). In an environment where weak institutions are monitoring organizational behaviour, organizations may have little incentive (or little coercive pressure or normative pressure) to be involved in the protection of the environment. This result is consistent with the argument made by Xiao et al. (2010) that the developing countries are less concerned about social and environment

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<sup>61</sup> This working paper suggested the government to take short term (implementation of national environment quality standards), medium term (introduction of industry specific standards and implementation of green environmental programmes), and long term measures (promotion of pollution control, waste minimization and waste exchange technology) to control pollution caused by the industry.

issues than the developed countries. Moreover, the environmental disclosures can be attributed to a number of factors such as 'corporate reputation', 'response to powerful stakeholders' (e.g. international customers) demands', 'exposure to normative institutions', and 'sensitivity of business operations'. However, the actual reasons for disclosure can only be unearthed by eliciting views of corporate executives and further empirical studies.

Turning to the issues of products and consumers, the product quality theme was supported by the majority of the sampled firms (2008:58%; 2011: 60%) followed by the consumers' relations theme (2008:34%; 2011:40%) in both years (2008 and 2011), while the least reported themes were the product development (2008:4%; 2011:7%) and the product safety (2008:7%; 2011:9%). As far as theme indicators are concerned, companies' commitment to improve/maintain quality was largely supported by the sampled companies in 2008 (66 companies, 55%) and 2011 (70 companies, 58%), followed by 'customers' satisfaction' (2008:26%; 2011:28%), 'product quality audited by third party' (2008:14%; 2011:15%), and 'customers relationship building' indicator (2008:8%; 2011:12%). The result showed that only 3 and 4 products and consumers disclosure indicators were reported by at least 10 sampled companies in 2008 and 2011 respectively (see Table 6.8). Moreover, none of the performance indicators of products and consumers disclosure were supported by at least 10 companies. This reveals that the sampled companies are mainly disclosing qualitative types of information about products and consumers issues. This finding is consistent with the previous studies in the developing countries (see Mahadeo et al., 2011b; Ratanajongkol et al., 2006), which are showing declarative types of CSR disclosure. The results have revealed that a small number of companies (15% in 2008; 19% in 2011) are showing the adoption of socially

accepted procedures/techniques (i.e. ISO9000) and latest technology. This result can be explained by legitimacy theory where the companies which have adapted socially accepted procedures and techniques (e.g. ISO 9000) might have attempted to gain procedural legitimacy (see Suchman, 1995).

The results (see Table 6.3 & 6.9) have shown that the sampled companies have given the least attention (in terms of the number of items and sentences disclosed) to products and consumer related practices. This shows that Pakistani listed companies are less concerned about products and consumer related issues. This low level of concern of listed companies of Pakistan about products and consumer related issues can be understood by considering the Pakistani institutional context (especially regulatory and normative institutions). As suggested in the Chapter 2, Pakistan is an economically weak country where law enforcement is very poor. The government has developed some laws to protect consumers' rights but they are not effectively implemented in Pakistan (see Chapter 2). In Pakistan, the law enforcement bodies are very much influenced by the Government itself and the service providers (CRCP, 2001). Furthermore, the prevailing legal and institutional mechanisms of Pakistan are not enough to handle consumer related issues (CRCP, 2011). In addition to this, one independent non-profit national organization, the 'Consumer Rights Commission of Pakistan (CRCP)' registered in 1998, is fighting for consumers' rights. Further, the problem also lies with consumers; they do not trust regulatory bodies and as result they do not use regulatory bodies (CRCP, 2001). Thus the non-availability of effective regulatory mechanisms, absence of sufficient consumer movements and the lack of trust of consumers on regulatory bodies provides an open field for companies to provide unsafe and/or substandard products. In this context, the companies operating in Pakistan are experiencing little

coercive/normative pressures from the government and/or NGOs to protect consumers' rights and thus appear to give the least importance to products and consumers issues in their disclosures (institutional theory).

Here turning to human resource issues, the results have shown that at least ten sampled companies in 2008 and in 2011 have reported nine and ten human resource indicators respectively. Under this dimension, a large number of the sampled companies have disclosed information about 'health, safety and individual wellbeing' (2008: 57 companies; 2011: 65 companies ), 'training and development' (2008: 56 companies; 2011:63 companies), 'equal opportunities' (2008: 35 companies; 2011: 44 companies), 'pay and benefits' (2008: 29 companies; 2011: 26 companies), and 'participation and staff involvement' themes (2008: 20 companies; 2011: 22 companies) while a smaller number of companies have disclosed information about 'employment policy' (2008: 8 companies; 2011: 14 companies), 'measurement of policies' (2008: 3 companies; 2011: 3 companies ), and 'work life balance' themes (2008: 2 companies; 2011: 3 companies). In 2008, the most support was received by 'career development' indicator' (37 companies) followed by 'non-discrimination/equal opportunity' (35 companies, 29%), 'in-house/outside training' (30 companies, 25%), 'improved working conditions' (28 companies, 23%), and 'employees' health and safety' indicator (24 companies, 20%). Consistent with 2008, a large number of reported indicators in 2011 are: 'career development opportunities' (46 companies, 38%), 'in-house/outside trainings' (31 companies, 26%), 'improved working conditions' (36 companies, 30%), and 'occupational health and safety' (29 companies, 24%). Contrary to the aims/intentions and actions indicators, none of the performance indicators were supported by at least 10 companies in 2008. However, one indicator was supported by 13 (11%) companies in 2011. This provides



evidence that the sampled companies are mainly disclosing qualitative types of information about human resource issues. This finding is consistent with the previous studies in developing countries (see Mahadeo et al., 2011b; Ratanajongkol et al., 2006), which pointed to the declarative type of CSR disclosure. The general (or declarative) types of human resource disclosures might have been made by listed companies of Pakistan to avoid scrutiny of their human resource related practices (legitimacy theory). Further, the results discussed above have shown that the main matters of concern to Pakistani listed companies are employees' health and safety, and their training and development. The disclosure of employees' health and safety related information may have resulted from corporate attempts to conform to the changing expectations, due to substantial increase in number of industrial accidents in the past, of the relevant public i.e. overall society (legitimacy theory). During the year 2000-2008 industrial accidents have increased from 354 to 419 in Pakistan (see Chapter 2). It is also possible that the disclosure of health and safety information might have been made to avoid scrutiny from regulators, employees' unions and government agencies in Pakistan (legitimacy theory). The disclosure of employees' training and development information might have been made to present an image that listed companies are investing on development of human resources in order to retain existing employees or to attract new recruits (stakeholder theory). Furthermore, the disclosures about employees' health and safety, non-discrimination in the workplace, employees' training and development, and other human resource related issues may be considered as an attempt by the firm to gain moral legitimacy by promoting social imperatives (see Suchman, 1995).

Under the community involvement disclosure, the sampled companies have given more attention to 'education and training' (2008:28%; 2011: 40%) and 'public health'

issues (2008:25%; 2011:37%). In addition to this, the 'other community activity' theme was supported by a large number of the sampled firms in 2008 (44 companies, 37%) and 2011 (58 companies, 48%). The most commonly disclosed aims and actions indicators are: 'to show companies commitment to develop community' (2008: 29%; 2011: 36%), 'to provide support for education/training' (2008:19%; 2011: 28%), 'to improve public health' (2008:15%; 2011: 26%), and 'to establish health institutions' (2008: 7.5%; 2011: 12%). In 2011, contrary to 2008, a substantial number of companies reported information about the 'organization of vocational courses' (10%), 'donation to educational institutions' (19%), 'health awareness programmes' (13%), 'establishment of health institutions' (14%), 'donation to health NGOs' (15%), 'flood relief efforts' (18%), and 'donations' (13%). The results have also shown that 4 community involvement indicators in 2008 and 14 in 2011 have received attention from at least ten sampled companies. This shows that the scope of community development activities has increased in 2011. The increase in the scope of community development activities can be attributed to the CSR Order (2009), described earlier. In addition to this, three performance indicators: 'money spent on education' (2008:4%; 2011:10%), 'number of people benefited from health awareness programmes' (2008:7%; 2011:11%), and 'amount of donation' (2008:3%; 2011:11%) were supported by at least 10 sampled companies in 2011. This reveals that the sampled companies are mainly disclosing qualitative types of information about community involvement activities. This finding is consistent with the findings from the previous studies on developing countries (see Mahadeo et al., 2011b; Ratanajongkol et al., 2006). Due to the declarative types of community involvement disclosures, it can be argued that listed companies of

Pakistan have disclosed community related information to legitimise their existence rather to express the transparency in their community related practices.

As mentioned earlier that the Pakistani listed companies have given more attention to the community involvement-related practices than the environment and the products and consumer related practices. This substantial community involvement disclosure can be attributed to normative institutions' pressures in Pakistan (institutional theory). The Pakistani context is one where 22% of the population is living below the poverty line (The World Bank, 2010), where 27895<sup>62</sup> schools have been damaged, and where health facilities are inadequate. These facts reflect the substantial need for health care, educational, and other facilities (i.e. food and infrastructure) in Pakistan. The religious institutions particularly mosques and madrasas (i.e. religious schools) are regularly highlighting religious values: Zakat and Sadaqah's importance. Zakat is an obligation and is to be paid by every person who owns more than the nisab level (i.e. 85 grams of gold or 595 grams of silver or equivalent property not in one's personal use) and this amount can be paid to the poor, to the needy, to the collectors (of zakat), to the preachers of Islam, to remove the debt obligation of a person, and to free a slave etc. (The Quran, Surah Al-Tawbah, Chapter 9, Verse 90). Sadaqah (in Islam) is an optional charity and can be given to any person belonging to the above categories or outside those categories. The almighty God has rewards for those who spend money for the wellbeing of the public (The Quran, Surah Al-Baqarah, Ch. 2, V. 274). The Sadaqah can be spent to build health, educational and other community institutions. These practices are considered socially accepted in Pakistan. Keeping in mind the religious values (a

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<sup>62</sup> 17000 schools were damaged by earth quake (EERI, 2006), 10,000 schools by flood 2010 (BBCNews, September 01, 2011) and 895 schools has been damaged by Militants (Press Tv, March 10, 2011).

normative institution), it can be argued that managers might have given attention to community related activities particularly 'establishing dispensaries and hospitals', 'renovating and establishing schools', 'donating foods and daily usage products', and 'building infrastructure', and their respective disclosures to comply with religious norms (normative institution) to please their God. As the disclosure study conducted in Bangladeshi context has shown, the religion (e.g. Islam) influences companies' CSR practices in general and sustainability disclosure practices in particular (see Sobhani et al., 2011).

Pakistani listed companies' focus on community involvement practices in their disclosures can also be interpreted by cognitive institutions (institutional theory). It can be argued that managers might have thought that activities/practices - especially education, health and infrastructure development - are of considerable importance to the society as the earthquake (in 2006), the floods (in 2009 and 2010), and the war on terror have severely damaged human lives, crops, animals, and infrastructure (e.g. roads, schools, and hospitals) in Pakistan.

This result can also be explained by legitimacy theory. Considering the context of the study, the sampled companies' disclosure of community related activities particularly 'establishing dispensaries and hospitals', 'renovating and establishing schools', 'donating foods and daily usage products', and 'building infrastructure' can be seen as an attempt to conform the society's broad expectations. The result can also be interpreted using the concept moral legitimacy, according to which the disclosure of highly socially required practices (e.g. establishment of educational and health facilities and development of infrastructure etc.) can be seen as an attempt by the

companies to gain moral legitimacy. A company may disclose pro-social activities to gain moral legitimacy (see Suchman, 1995).

In general disclosure, the data analysis results have revealed that 63% of companies in 2008 and 65% of companies in 2011 have provided references to a code of ethics, statement of ethics and business practices, and core values. These references may be targeted to gain procedural legitimacy that the companies are following appropriate/proper procedures (see Suchman, 1995). Specifically 33% and 35% companies in 2008 and in 2011 respectively have mentioned statement of ethics and business practices in their annual reports. These statements contain similar contents, for example compliance with (environmental, employment, fair competition and anti-trust) laws and to be honest in dealings. Pakistan is facing a culture of corruption (see Transparency International 2010 report) and companies operating in it are usually criticised for abusing quasi-monopolistic position to benefit their owners. In this context, these statements may be aimed at presenting a symbolic appearance of ethical behaviour, that is consistent with the legitimacy perspective (see Reverte, 2009; Neu et al., 1998), and can be considered as an attempt by the firm to gain cognitive legitimacy by exhibiting conforming to the established standards (i.e. code of ethics) (see Mahadeo et al., 2011; Suchman, 1995).

In summary, the majority of the companies have reported aims and actions indicators and have paid scant attention to performance indicators. According to Bouten et al. (2011) a company can be considered as highly accountable when it provides three types of information: aims, actions, and performance indicators about a theme. Based on the types of information disclosed, it can be argued that the listed companies of Pakistan might have disclosed information for reputation purpose or to

maintain legitimacy or to meet powerful stakeholders' (government here) expectations rather than to express their accountability.

## 6.5 Chapter Summary

The longitudinal study of 120 financial and non-financial listed companies of Pakistan has revealed that the companies have given more attention to the human resource and the community involvement related practices. The results have also revealed a significant increase in CSR disclosure (extent, level and quality) and its dimensions: environment, human resource, products and consumer, and community involvement in 2011. The evidence supports the hypothesis (H6) that there is significant increase in CSR disclosure (extent, level, and quality) and its dimensions in 2011. Moreover, the significant increase was observed in seven themes: 1) energy, 2) environment other, 3) training and development, 4) consumers' relations, 5) support for education/training, 6) support for health, 7) and other community activities in 2011. This significant increase, in the aforementioned themes, can be attributed to regulatory pressure (i.e. CSR order 2009). Focusing on the quality of disclosure, the majority of the sampled companies made declarative types of disclosure (i.e. aims and actions indicators) and mainly focused on good news (e.g. donations to schools, establishment of hospitals, and sponsorship to environmental awareness programmes). The sampled companies have also provided the evidence of the acquisition of ISO certifications (e.g. ISO 14000, ISO 9000; OHSAS 18000) and the adoption of code of ethics that may be considered an attempt by the firm to gain moral and cognitive legitimacy respectively. The results presented in this chapter were not found to be explained by a single theory. Therefore, it can be argued here that CSR disclosure can be better understood or explained by combining three

theories: legitimacy, stakeholder, and institutional theory rather than considering a single theory at a time.

## **7. CHAPTER: DETERMINANTS OF THE QUANTITY AND QUALITY OF CSR DISCLOSURE**

### **7.0 Introduction**

This chapter discusses multivariate pooled regression results on the quantity and quality of CSR disclosure and its dimensions. It is organized as follows. The first section discusses the overall reliability and validity of the research instrument. The second section evaluates regression analysis assumptions and presents multivariate pooled regression results. The third section discusses the results in the light of three theories: legitimacy, stakeholder and institutional theory and the final section summarises this chapter.

### **7.1 Reliability and Validity**

Reliability refers to the degree of consistency among the multiple measurements of the variable. After collecting the CSR disclosure data from the final sample, discussed in the previous chapter, the internal consistency (reliability measure) was rechecked. To check the internal consistency Cronbach's Alpha<sup>63</sup> was calculated for the items under the overall CSR disclosure (2008: 0.928; 2011: 0.937) and each dimension: environment (2008: 0.844, 2011: 0.839), human resource (2008: 0.849, 2011: 0.872), products and consumers (2008: 0.650, 2011: 0.696), and community involvement (2008: 0.832, 2011: 0.820). The test revealed that the overall CSR disclosure and its dimensions, except products and consumers disclosure, have

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<sup>63</sup> Cronbach's Alpha is the most widely used measure and it measures internal consistency of the entire scale and tells the reader to what extent the items included in the instrument, supposed to measure the same construct, are correlated to each other (Hair et al., 2010; Neuendorf, 2002; Malhotra, 2010).



Cronbach's Alpha values greater than 0.70, which show a high internal consistency<sup>64</sup>. However, the Cronbach's Alpha value of products and consumers disclosure (2008: 0.650, 2011: 0.696) is considered acceptable because the value is greater than the Cronbach's alpha value i.e. 0.64 of voluntary disclosure which was found in a study examining the relationship between the voluntary disclosure and the cost of equity capital, by Botosan (1997) published in a three star journal. Thus, overall, this instrument shows a high internal consistency.

The validity of an instrument containing many items is the extent to which it accurately measures the construct of interest (Hair et al., 2010). To test the validity of their results, previous researchers such as Botosan (1997)<sup>65</sup> and Gul and Leung (2004), examine the relationship between company characteristics and voluntary disclosure and compared their study results with those from previous studies. In line with these precedents, the researcher compared the results from this study with the existing studies to prove the validity of the results. This study also tests the relationship between company characteristics (proxies of social visibility) and CSR disclosure (extent, level, and quality). There was found to be a significant positive relationship between company characteristics (particularly profitability) and CSR disclosure (extent, level, and quality). This result is consistent with the existing studies, particularly Haniffa and Cooke (2002) and Haniffa and Cooke (2005), who have found a significant positive relationship between company profitability and the level of CSR disclosure in Malaysia. Haniffa and Cooke (2005) also found a

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<sup>64</sup> Hair et al. (2008) have argued that one-dimensional scale's Cronbach's Alpha value should be at least 0.70. Similarly, Nunnally (1978) states that Cronbach's Alpha value greater than .70, shows a high internal consistency.

<sup>65</sup> Botosan (1997) checked relationship between company characteristics and voluntary disclosure. Gul and Leung (2004) examined company characteristic relationship with extent of disclosure

significant positive relationship between company profitability and the extent of CSR disclosure.

Further, company size has a significant positive relationship with the extent of CSR disclosure. This result is consistent with previous studies particularly Haniffa and Cooke (2005) and Mahadeo et al. (2011), who have shown a significant positive relationship between company size and the extent of CSR disclosure. Some studies have shown a significant positive relationship between company size and the level of CSR disclosure (see Haniffa & Cooke, 2002; Haniffa & Cooke, 2005). This study has shown a significant positive relationship between company size and the level of community involvement disclosure (a dimension of CSR disclosure). However, it did not show a significant relationship with the level of CSR disclosure. On the other hand, this study did not prove that company size is not an important factor in explaining the level of CSR disclosure. The reason underlying the non-significant relationship between company size and the level of CSR disclosure is that this variable has a significant correlation with the independent variable (i.e. company profitability), which has a significant relationship with the level of CSR disclosure. This leaves a little room for company size to explain the dependent variable (i.e. CSR disclosure level). Moreover, the researcher ran a stepwise regression estimation<sup>66</sup>, which includes one variable at a time (Hair et al., 2010) and tested the relationship between company size and the level of CSR disclosure, and found a significant positive relationship between them. This indicates that company size is an

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<sup>66</sup> The problem with this estimation technique is that it includes one variable (with a significant relationship with dependent variable) at a time into the model (Hair et al., 2010). For example: X1 and X2 are two independent variables which together can explain a significant portion of dependent variable but neither is significant in itself. In this case, both variables (X1 and X2) will not be included in the final regression model.

important indicator of social visibility for explaining variation in CSR disclosure (level).

In summary the results obtained from this study are consistent with the previous CSR disclosure studies and this ensures the validity of the obtained results. This in turn ensures the validity of the instrument used to calculate different dependent variables (i.e. CSR disclosure and its dimensions) used in the various regression models to establish various factors' relationship with CSR disclosure. Thus based on the internal consistency measures and the obtained results, the CSR disclosure instrument can be considered as reliable and valid.

## **7.2 Multivariate Pooled Regression Analysis**

### **7.2.1 Data Preparation**

Before running the regression analysis, the researcher observed 18 missing values of one independent variable (non-executive directors on the board). Statistical package software, particularly SPSS, has an option to use a variable's average value to substitute missing values of a variable. But this option looks implausible here because the previous studies have shown that a company's environmental sensitivity characteristic influences CSR disclosure (see Haniffa & Cooke, 2002; Newson & Deegan, 2002). As mentioned earlier, this sample includes both financial and non-financial firms and some of them are considered as highly environmentally sensitive. Hair et al. (2010) have discussed a 'hot and cold deck imputation' technique in which missing values are replaced with actual values from similar cases. Consistent with this technique, the researcher has adopted the following rules to substitute the missing values.

1. The missing value of a variable for the year 2008 (or 2011) was replaced with the original value, obtained from the same company, for the same variable for the year 2011 (or 2008).
2. The missing values of a variable for both years 2008 and 2011 were replaced by the original values, obtained from a company of same size (based on total assets) from the same sector, for the year 2008 and 2011 respectively.

The Table 7.1 provides the picture of the number of missing values and the rules adopted.

**Table 7.1: Description of substitution of missing values**

<b>Description</b>	<b>NEDB</b>
Number of missing values for the year 2008 substituted by values of the same company for the year 2011	2
Number of missing values for the year 2011 substituted by values of the same company for the year 2008	5
Number of missing values substituted by values of companies selected based on company size and sector criteria	11
<b>Total</b>	<b>18</b>

Note: NEDB: Non-executive directors on board

After resolving the missing values issues, the researcher regressed the CSR disclosure models with the same independent variables. In regression analysis, Hair et al. (2010) have stressed that regression analysis assumptions should be checked for both the individual (independent and dependent) variables and the regression as a whole (or regression variate<sup>67</sup>). Before discussing the regression analysis assumptions, we will discuss the descriptive analysis results.

## 7.2.2 Descriptive Results

Table 7.2 provides the results of a descriptive analysis of CSR disclosure (extent, level, and quality), and its dimensions: environment, human resource, products and consumers, and community involvement, and the independent variables, used in

<sup>67</sup> Right hand side of the regression model (or regression model as a whole to predict the dependent variable)

different regression models. In terms of the extent of disclosure, the sampled companies used an average of 44 sentences to describe their CSR related activities. Moreover, the human resource disclosure (average = 11.57 sentences) was given more importance than the community involvement (average = 8.93 sentences), the environment (average = 7.00 sentences), and the product and consumer related issues (average = 4.8 sentences).

In terms of the level of disclosure the sampled companies disclosed an average of 25.24% (CSR disclosure level index score = 25.24%) of the related themes. Contrary to the extent of disclosure, the products and consumers disclosure themes (PCD index score = 29.51%) received more attention from the sampled companies than the human resource (HRD index score = 23.63%), the community involvement (23.20%), and the environmental disclosure themes (19.62%).

In terms of CSR disclosure (quality), the sampled companies got an average index score of 0.6161. Within this, more community related themes (CID quality index score = 0.8050) were encompassing action and performance indicators than the human resource (HRD quality index = 0.5935), the environment (ED quality index = 0.5389), and the products and consumers related themes (PCD quality index = 0.4867).

The above results indicate that relying on only one measurement method may not give a complete picture of CSR disclosure because the level of disclosure (measurement) treats companies equally whether they disclose one or more than one item. Moreover, it does not account for the nature of information disclosed about a theme. For example, in terms of the level of disclosure, the products and consumers disclosure themes (PCD level index score = 29.51%) got more attention

than the human resource disclosure themes (HRD level index score = 23.63%) but in terms of the extent of disclosure, it was given least attention (average = 4.8 sentences). This indicates that companies which disclose information about products and consumer related themes only disclose a small amount of such information. In terms of disclosure quality, the community involvement disclosure got the highest score, 0.8050.

Turning to the descriptive analysis of company characteristics, 35% of the sampled companies are operating in environmentally sensitive industries and 52% of them are very close to the consumers. Moreover, 15% of the companies are multinational subsidiaries. In addition to this, companies included in the sample are large in size (average total asset = PKR 30,582,678 thousands) and their average profitability is 3.29% of total assets (return on assets = 3.29%). As far as financial stakeholders are concerned, the sampled companies are relying on both debt and stock markets. They are mostly relying on debt as their source of finance because 68.38% of assets, on average, are financed by a debt source (leverage ratio: 68.38%). Equity ownership has a mixed structure, on average, 60.48% of the shares are held by the institutions, and 13.21% are held by foreign shareholders. On average, the government holds 8.42% shares in the sampled companies.

In addition to the above, CSR promoting institutions (CSR forums and networks, NGOs, and CSR standard setting institutions) are working in Pakistan. The results show that 15% of the sampled companies are members of CSR forums and networks, 16% are members of NGOs, 15% have SA 8000/OHSAS/IIP standards, while 50% of them have ISO 9000/ISO14000 standards. As far as the governance structure is concerned, there is a high presence of non-executive directors on the

general board (65% on average) and on the audit committee (87% on average). Moreover, 54% of the sampled companies' chairmen have more than two directorships (see Table 7. 2).

**Table 7.2: Descriptive Statistics for the independent and dependent variables**

<b>Variables</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Mean</b>	<b>Std. Deviation</b>
Environment Disclosure (extent)-ED	.00	261.00	6.60	20.68
Human Resource Disclosure (extent)-HRD	.00	211.00	11.57	21.53
Product and consumer disclosure (extent)-PCD	.00	66.00	4.81	9.01
Community Involvement disclosure (extent)-CID	.00	118.00	8.93	20.20
CSR disclosure (extent)- CSRDL	.00	672	44.03	73.90
Environment Disclosure (level)-EDL	.00	1.00	.20	.26
Human Resource Disclosure (level)-HRDL	.00	.875	.24	.23
Product and Consumer Disclosure (level)-PCDL	.00	1.00	.30	.23
Community Involvement Disclosure (level)-CIDL	.00	1.00	.23	.27
CSR Disclosure (level)-CSRDL	.00	.87	.25	.21
Environment disclosure (quality)-EDQI	.00	5.00	.54	.98
Human Resource Disclosure (quality)-HRDQI	.00	3.38	.59	.78
Product and consumer disclosure (quality)-PCDQI	.00	3.25	.49	.53
Community Involvement disclosure (quality)-CIDQI	.00	4.60	.81	1.21
CSR disclosure (quality)-CSRQI	.00	3.83	.62	.74
Profitability (ROA)	-45.25%	44.25%	3.29%	10.27%
Institutional Ownership-IS	.21%	100.00%	60.49%	29.52%
Foreign Ownership-FS	.00%	98.50%	13.21%	25.46%
Government Ownership-GS	.00%	90.42%	8.42%	18.97%
Creditors (Lenders)	.00%	967.77%	68.39%	78.87%
Non-executive directors on Board-NEDB	12.50%	100.00%	64.87%	23.60%
Company Size (,000)-CS	11263.00	1153480100	30582678.420	1.0399E8
%NEDAC	.33	1.00	87%	.17
<b>Dummy Variables</b>			<b>%age</b>	
Environmental Sensitivity-ES	.00	1.00	35%	
Consumer Proximity-CP	.00	1.00	52%	
Multinational Subsidiary-MNSs	.00	1.00	15%	
CSR forums and networks-CSRFSNM	.00	1.00	15%	
NGOs memberships-NGOsM	.00	1.00	16%	
CSRS1 (SA 8000/OHSAS/IIP)	.00	1.00	15%	
CSRS2 (ISO 9000/ISO14000)	.00	1.00	50%	
Chairman with multiple directorships-CMD	.00	1.00	54%	
Non-executive directors in audit committee-NEDAC	.00	1.00	62%	

N = 238

### 7.2.3 Regression analysis assumptions related to the individual variables

Hair et al. (2010) have stressed that the regression analysis assumptions should be evaluated for both the individual variables (continuous independent and dependent) and the regression variate. It is noted that most of the published research papers evaluated regression analysis assumptions for the regression variate rather than for the individual variables. The reader may question the examination of regression analysis assumptions for the individual variable when regression analysis assumptions for the regression variate are to be examined. The answer lies in the insights related to sources and remedies for any assumption violations gained through examining the regression analysis assumption for the individual variables. Moreover, if individual variables satisfy regression analysis assumptions then it becomes less likely that the regression variate will violate them. Three regression analysis assumptions related to individual variables are normality, homoscedasticity, and linearity (Hair et al., 2010) and are discussed in this section. However, the regression variate assumptions will be discussed with each regression model (e.g. CSR disclosure extent, CSR disclosure level, and CSR disclosure quality).

#### 7.2.3.1 Linearity

As discussed in the methodology chapter, these independent variables were adopted based on the results of previous disclosure studies (see Amran & Devi, 2008; Haniffa & Cooke, 2002; Haniffa & Cooke, 2005; Mahadeo et al., 2011; Branco & Rodrigues, 2008; Reverte, 2009). The previous studies have used different combinations of these variables in their research and have examined their



relationship with CSR disclosure (extent or level). These researchers have used multiple linear regression models to check their relationship with CSR disclosure (extent or level). Based on the regression models of the previous researchers, it can be assumed here that these (continuous) variables have a linear relationship with the dependent variables (e.g. CSR disclosure and its dimensions).

### 7.2.3.2 Normality

The normality of the variable can be examined through both graphical methods and statistical tests<sup>68</sup>. For the graphical method, histograms and normal probability plots were used, and the distributions of all the continuous variables have shown a substantial departure from normality. In addition to the graphical methods statistical tests<sup>69</sup>, based on skewness and kurtosis and the non-parametric Kolmogorov Smirnov

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<sup>68</sup> In the graphical method, histograms and normal probability plots can be used to assess the normality of a variable. In a histogram, the graph of the observed data is compared with an approximately normal distribution. Histograms are problematic for small samples because the construction of histogram for small sample data may distort visual portrayal. In addition to histograms, normal probability plot is considered to be a more reliable approach to assess the normality of a variable in which cumulative distribution of the observed data values is compared with cumulative distribution of the normal distribution. The normal distribution forms a straight line represented by the diagonal in the graph and plotted observed values are compared with this diagonal. If the plotted data values fall along the diagonal line, the distribution of the variable is considered normal. We can easily identify kurtosis and skewness of the distribution of the variable through the normal probability plot. If the plotted line falls below the diagonal line the distribution of the variable is flatter than the expected distribution and negatively skewed. If the plotted distribution falls above the diagonal line, the distribution is more peaked than the expected normal distribution and positively skewed (see Hair et al., 2010). Through the normal probability plots the researcher does not only identify the non-normality of the variable but also knows type of remedy necessary to make the variable normal.

<sup>69</sup> Statistical tests, based on skewness and Kurtosis and Kolmogorov-Smirnov test, can be used to examine the normality of the variable (Kennedy, 2008; Hair et al., 2010). Statistical tests based on skewness and kurtosis requires  $Z_{\text{skewness}}$  and  $Z_{\text{kurtosis}}$  to be calculated and compared with critical values of Z. If the calculated Z-values are greater the critical Z-value then the distribution is non-normal in terms of that characteristic.  $Z_{\text{skewness}}$  and  $Z_{\text{kurtosis}}$  are calculated as follows:

$$Z_{\text{skewness}} = \text{Skewness} / \sqrt{6/N} \text{ and } Z_{\text{kurtosis}} = \text{Kurtosis} / \sqrt{24/N}$$

The Kolmogorov-Smirnov test is a specific statistical test for the non-normality and it calculates the level of significance for the differences from a normal distribution (Hair et al., 2010). K-S Lilliefors with significance value greater than 0.05 indicates evidence of normality (Coakes et al., 2006). K-S Lilliefors is less useful in small samples (less than 30) and very sensitive to large samples and it is advised to use combination of both approaches graphical plots and statistical test to examine the actual degree of departure from normality of a variable (Hair et al., 2010).

non-normality test (K-S Lilliefors), have also shown that all of the variables (excluding dummy variables) are non-normal (see Table 7.3). The researcher therefore applied the normality remedies of natural log, square root, reciprocal, reciprocal of square root, values square, and values cube (see Hair et al. 2010) and normal scores (see Cooke 1998 cited in Haniffa & Cooke, 2002; Haniffa & Cook, 2005) but the normal score transformation produced the best results. There are some reasons for using the normal score transformation. Firstly, it is a means of making the non-normal variable normal (Haniffa & Cooke, 2002). Secondly, the normal score has exact statistical properties and the resulting tests from normal score are meaningful (e.g. determination of significance level, meaningfulness of F tests and t tests, and meaningfulness of the regression coefficients) (Haniffa & Cooke, 2002). Thirdly, when there is non-linearity due to data concentration, normal scores disperse the data concentration (Haniffa & Cooke, 2002). Finally, the normal score transformation was used by other CSR disclosure researchers such as Haniffa and Cooke (2002), Haniffa and Cooke (2005), Amran and Devi (2008), and Chiu and Wang (2014) to make the variables normal. After the transformation, five variables (see last column of Table 7.3) have shown the evidence of normality based on Kolmogorov Smirnov with Lilliefors test. As suggested by Hair et al. (2010), the researcher drew normal probability (p-p plots) graphs of individual variables to detect any improvement in normality. The normal probability plots have shown that all the transformed variables are approximately normal. Furthermore, Hair et al. (2010) have argued that the violation of normality has negligible effect on results when sample size is greater than 200. In this study the sample size includes 238 yearly observations, which provides evidence that the violation of normality assumption will have negligible effect.

**Table 7.3: Distribution characteristics, Test of normality and Normality status**

Variable	Shape Descriptors				Test of Normality				Status After remedy
	Skewness		Kurtosis		K-M test (before remedy)		K- M Test (After Remedy)		
	Statisti c	Std. Error	Statisti c	Std. Error	Statistic	Sig.	Statistic	Sig.	
Dependent Variables									
EDQn	8.720	.157	99.437	.313	.375	.000	.328	.000	NN
HRDQn	4.395	.157	31.782	.313	.296	.000	.194	.000	NN
PCDQn	3.692	.157	17.040	.313	.298	.000	.171	.000	NN
CIDQn	3.169	.157	10.439	.313	.330	.000	.305	.000	NN
GDQn	2.859	.157	10.989	.313	.273	.000	.223	.000	NN
TCSRQn	3.808	.157	23.254	.313	.277	.000	.054	.085	Approximately Normal distribution
EDQI	2.583	.157	7.005	.313	.306	.000	.329	.000	NN
HRDQI	1.705	.157	2.323	.313	.237	.000	.197	.000	NN
PCDQI	2.041	.157	5.869	.313	.232	.000	.171	.000	NN
CIDQI	1.519	.157	1.171	.313	.277	.000	.305	.000	NN
GDQI	2.705	.157	8.874	.313	.326	.000	.306	.000	NN
TCSRQI	1.707	.157	2.651	.313	.208	.000	.061	.032	NN
EDL	2.346	.157	6.002	.313	.284	.000	.329	.000	NN
HRDL	1.540	.157	1.824	.313	.219	.000	.197	.000	NN
PCDL	1.396	.157	2.232	.313	.241	.000	.188	.000	NN
CIDL	1.805	.157	2.558	.313	.271	.000	.305	.000	NN
GDL	.773	.157	-.494	.313	.292	.000	.301	.000	NN
TCSRDL	1.627	.157	2.325	.313	.201	.000	.061	.032	NN
Independent Variables									
ROA	-.446	.157	4.608	.313	.148	.000	.009	.200	Approximately Normal distribution
IS	-.449	.157	-1.047	.313	.119	.000	.009	.200	Approximately Normal distribution
FS	1.878	.157	2.046	.313	.356	.000	.315	.000	NN
GS	3.182	.157	9.676	.313	.329	.000	.204	.000	NN
C	7.365	.157	74.858	.313	.282	.000	.077	.002	NN
NEDB	-.439	.157	-.964	.313	.122	.000	.010	.200	Approximately Normal distribution
CS	7.725	.157	72.066	.313	.385	.000	.009	.200	Approximately Normal distribution

NN: Non normal, K-M Test: Kolmogorov Smirnov non-normality test; TCSRQn: Total CSR disclosure (extent), EDQn: Environment Disclosure (extent), HRDQn: Human Resource Disclosure (extent), PCDQn: Product and Consumer Disclosure (extent), CIDQn: Community Involvement Disclosure (extent), TCSRDL: Total CSR disclosure (level), EDL: Environment Disclosure (level), HRDL: Human Resource Disclosure (level), PCDL: Product and Consumer Disclosure (level), CIDL: Community Involvement Disclosure (level), TCSRQI: Total CSR disclosure (quality), EDQI: Environment Disclosure (quality), HRDQI: Human Resource Disclosure (quality), PCDQI: Product and Consumer Disclosure (quality), CIDQI: Community Involvement Disclosure (quality), CS: Company Size, ROA: Return on Asset IS: Institutional shareholders, GS: Government Shareholders, FS: Foreign Shareholders, C: Creditors, NED: Non-executive directors on board

### 7.2.3.3 Homoscedasticity

Homoscedasticity refers to the regression analysis assumption that the variance of the dependent variable is constant across the range of independent variables (Hair et al., 2010). Homoscedasticity of the dependent variable is very essential to ensure that the variance of the dependent variable explained by the range of independent variables does not depend on a limited range of observations rather all the values of

the independent variables. In other words, homogeneity ensures that all observations have an equal effect on the prediction of the dependent values. If the variance of the dependent variable is explained by a limited number of observations of the independent variables, this is called heteroscedasticity. Statistical tests for equality of variance may be used to assess the homogeneity of the variance of the variable within the groups formed by the categorical variable (Hair et al., 2010). The most common test is Levene's test<sup>70</sup> which assesses whether the variance of the individual continuous variable is equal across any number of groups. For the purpose of this study and to test the homoscedasticity of a single variable the researcher used SPSS software and examined 22 continuous variables (to be used in different regression models) against five dummy variables in the data set as suggested by Hair et al. (2010). Among the 27 variables (5 dummy and 22 continuous variables), 10 variables: 2 dummy (ES and CSRD2) and 8 continuous (NNEDB, NC, NEDQn, NPCDQn, NEDQI, NPCDQI, NEDL, and NPCDL) variables have shown p-values less than the critical value (i.e. 0.005) on more than one variable (dummy or continuous) (see Table 7.4). This shows that the metric variables (i.e. NNEDB, NC, NEDQn, NPCDQn, NEDQI, NPCDQI, NEDL, and NPCDL) have unequal variance among the groups formed by categorical variables (see Table 7.4). To remove the heteroscedasticity of the affected continuous variables, the researcher applied natural log transformation as suggested by Hair et al. (2010). The application of a natural log transformation to the affected variables resulted in non-

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<sup>70</sup> Levene's test is used to assess the following hypothesis.

$$H_0 = K\text{-samples have equal variances where } K = 1, 2, 3, \dots, n$$

$$H_1 = \text{At-least two samples have not equal variance}$$

If the p-value of the Levene's test is less than critical value, then null hypothesis will be rejected and it will be concluded at-least two samples have unequal variance (Hair et al., 2008).

normality of these variables. For this reason the researcher did not apply natural log transformation to remove heteroscedasticity of these variables.

**Table 7.4: Testing for Homoscedasticity**

Metric Variables	Non Metric/Categorical variables				
	ES	CSRFNM	NGOsM	CSRS1	CSRS2
	Levene Statistic (Sig.)	Levene Statistic (Sig.)	Levene Statistic (Sig.)	Levene Statistic (Sig.)	Levene Statistic (Sig.)
<b>Independent Variables</b>					
NROA	0.092 (0.762)	0.490 (0.485)	1.051 (0.306)	0.032 (0.857)	0.691 (0.407)
NIS	0.808 (0.370)	0.985 (0.322)	0.989 (0.321)	0.723 (0.396)	1.433 (0.233)
NFS	<b>5.392 (0.021)</b>	1.124 (0.290)	1.891 (0.170)	0.013 (0.909)	<b>5.834 (0.016)</b>
NGS	0.844 (0.359)	0.458 (0.499)	0.441 (0.507)	<b>7.744 (0.006)</b>	0.771 (0.381)
NNEDB	<b>6.692 (0.010)</b>	<b>9.331 (0.003)</b>	0.036 (0.849)	<b>26.02 (0.000)</b>	<b>5.278 (0.022)</b>
NC	<b>7.960 (0.005)</b>	0.119 (0.731)	0.252 (0.616)	1.051 (0.306)	<b>12.536 (0.000)</b>
NCS	3.043 (0.082)	0.790 (0.375)	0.010 (0.921)	0.826 (0.364)	3.636 (0.058)
<b>Dependent Variables</b>					
<b>CSR disclosure (Quantity) &amp; its dimensions</b>					
NCSRQn	1.225 (0.270)	3.026 (0.083)	0.568 (0.452)	4.203 (0.041)	<b>16.841 (0.000)</b>
NEDQn	<b>14.929 (0.000)</b>	0.008 (0.930)	2.146 (0.144)	3.168 (0.076)	<b>56.900 (0.000)</b>
NHRDQn	3.365 (0.068)	3.887 (0.050)	0.787 (0.376)	1.075 (0.301)	<b>28.181 (0.000)</b>
NPCDQn	<b>21.877 (0.000)</b>	4.296 (0.039)	<b>6.190 (0.014)</b>	1.078 (0.300)	<b>31.677 (0.000)</b>
NCIDQn	3.889 (0.050)	0.461 (0.498)	8.686 (0.004)	3.779 (0.053)	<b>08.862 (0.003)</b>
<b>CSR disclosure (Quality) &amp; its dimensions</b>					
NCSRQI	0.256 (0.614)	3.146 (0.077)	0.240 (0.625)	6.744 (0.010)	<b>13.448 (0.000)</b>
NEDQI	<b>11.723 (0.001)</b>	0.671 (0.414)	<b>5.768 (0.017)</b>	5.658 (0.018)	<b>47.516 (0.000)</b>
NHRDQI	0.893 (0.346)	2.607 (0.108)	1.376 (0.242)	1.289 (0.257)	<b>24.643 (0.000)</b>
NPCDQI	<b>9.397 (0.002)</b>	0.027 (0.869)	<b>8.898 (0.003)</b>	0.448 (0.504)	<b>16.093 (0.000)</b>
NCIDQI	2.840 (0.093)	0.051 (0.821)	2.20 (0.139)	1.937 (0.165)	<b>11.359 (0.000)</b>
<b>CSR disclosure (level) &amp; its dimensions</b>					
NCSRDL	0.850 (0.357)	3.090 (0.080)	0.259 (0.612)	4.945 (0.027)	<b>15.936 (0.000)</b>
NEDL	<b>12.994 (0.000)</b>	0.677 (0.412)	4.092 (0.044)	4.495 (0.035)	<b>50.756 (0.000)</b>
NHRDL	1.565 (0.212)	3.746 (0.054)	1.198 (0.275)	0.335 (0.564)	<b>31.796 (0.000)</b>
NPCDL	<b>14.57 (0.000)</b>	1.997 (0.159)	4.203 (0.041)	0.320 (0.572)	<b>14.052 (0.000)</b>
NCIDL	3.169 (0.076)	0.012 (0.912)	2.506 (0.115)	2.150 (0.144)	<b>10.605 (0.001)</b>
TCSRQn: Total CSR disclosure (extent), EDQn: Environment Disclosure (extent), HRDQn: Human Resource Disclosure (extent), PCQn: Product and Consumer Disclosure (extent), CIDQn: Community Involvement Disclosure (extent), TCSRDL: Total CSR disclosure (level), EDL: Environment Disclosure (level), HRDL: Human Resource Disclosure (level), PCDL: Product and Consumer Disclosure (level), CIDL: Community Involvement Disclosure (level), TCSRQI: Total CSR disclosure (quality), EDQI: Environment Disclosure (quality), HRDQI: Human Resource Disclosure (quality), PCQI: Product and Consumer Disclosure (quality), CIDQI: Community Involvement Disclosure (quality), CS: Company Size, ROA: Return on Asset IS: Institutional shareholders, GS: Government Shareholders, FS: Foreign Shareholders, C: Creditors, NED: Non-executive directors on board					

Heteroscedasticity of the variable affects the standard errors of the regression coefficient of that variable (Hair et al., 2010; Gujarati, 2004) which will ultimately affect the confidence interval of the regression coefficient and will result in a change in the significance of the variable in the regression model. However, if the

heteroscedasticity issue arises in the final regression model the researcher can counter it by using standard errors robust to heteroscedasticity in the regression analysis and these standard errors can be accessed by using a more sophisticated software for example Stata software.

#### **7.2.3.4 Regression variate assumptions**

In addition to the evaluation of regression analysis assumptions for the individual variables, the regression analysis assumptions should be evaluated for the regression variate (see Hair et al. 2010). Regression analysis includes four main assumptions: normality, linearity, homoscedasticity (Hair et al., 2010), and no perfect multi-collinearity of independent variables (Gujarati, 2004). These assumptions can be evaluated through examining the residual plots<sup>71</sup> and carrying out some statistical tests. The assumptions are now discussed under each regression model.

#### **7.2.4 CSR Disclosure (extent)**

This section discusses the assumptions of the regression analysis models (i.e. the extent of CSR disclosure and its dimensions) and their results. To check the linearity assumption, the standardized predicted values are plotted against the studentized residuals<sup>72</sup>, as suggested by Hair et al. (2010), and the resultant plot (see Figure 7.1a) does not exhibit any non-linear pattern, which ensures that the overall model is linear. Moreover, partial regression plots are developed to assess whether each independent variable has a linear relationship in the regression variate to ensure its best representation in the regression model. The partial regression plots have shown

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<sup>71</sup> Residuals are the difference between observed values of the dependent variable and predicted values of the dependent variable obtained through the regression variate (Hair et al., 2010; Kennedy, 2008; Gujarati, 2004).

<sup>72</sup> a widely used method (see Hair et al., 2010)

that each variable in the model has a linear relationship with the dependent variable (see Appendix 14). The residuals are also considered normally distributed (see Figure 7.1b) because all of the values fall along the diagonal with no substantial departure. The residuals plot shows that the residuals are equally dispersed below and above the central line. It shows evidence of homoscedasticity<sup>73</sup> of the residuals (see Figure 7.1a). A Breusch-Pagan test<sup>74</sup> ( $\chi^2 = 0.22$ , p-value = 0.6364) for heteroscedasticity also shows constant variance of the residuals. To check Multicollinearity among the independent variables, various measures e.g. correlations<sup>75</sup>, tolerance value<sup>76</sup>, and variance inflation factor (VIF)<sup>77</sup>, as suggested by Hair et al., (2010), were calculated. The results showed that multicollinearity

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<sup>73</sup> Regression analysis assumption that predicted variable has constant variance across range of independent variables (Hair, Black, Babin, & Anderson, 2010).

<sup>74</sup> In this test  $H_0$ : Errors are homoscedastic (i.e.  $\text{Variance}(u_i/x_i) = \delta^2$ ) and  $H_1$ : errors are heteroscedastic (i.e.  $\text{Variance}(u_i/x_i) = \delta_i^2$ ) (Gujarati, 2004).

<sup>75</sup> High correlations (e.g. 0.90 or above) is evidence of substantial collinearity but the problem with this measure is that lack of high correlations does not ensure absence of collinearity because collinearity may be due to two or more variables combined impact (see Hair et al., 2010). So there is a need to assess the degree to which the variable is explained by other independent variables in the model. It is detected by measuring Tolerance value that is a measure to explain the amount of variation in the independent variable not explained by other independent variables. Multi-collinearity is a problem when correlation is greater than 0.80 (see Gujarati 1995, Haniffa and Cooke, 2005).

<sup>76</sup> Tolerance is a direct measure of multicollinearity and is defined as the amount of variability of the selected independent variable not explained by other independent variables in the regression model (Hair et al., 2010). Tolerance value can be calculated in the following two steps.

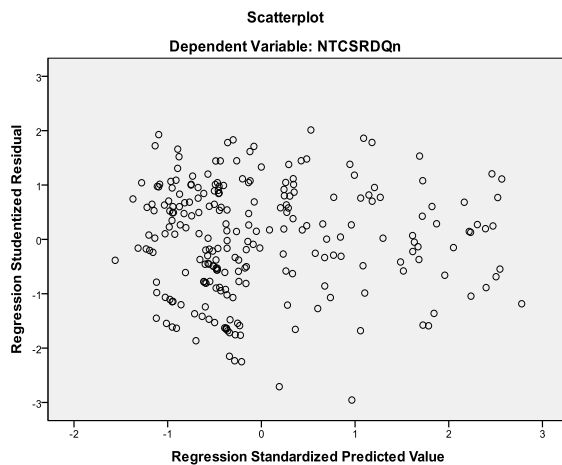
1. For each independent variable calculate  $R^2$  (co-efficient of determination) by regressing the selected independent variable by other independent variables in the regression model.
2. Calculate the Tolerance =  $1 - R^2$  that is the amount of variation in the selected independent variable not explained by other variables in the regression model.

A high level of tolerance value of the variable shows small degree of multicollinearity. In other words other independent variables do not have substantial amount of shared variance. The threshold level of tolerance is 0.10 (see Hair et al., 2010).

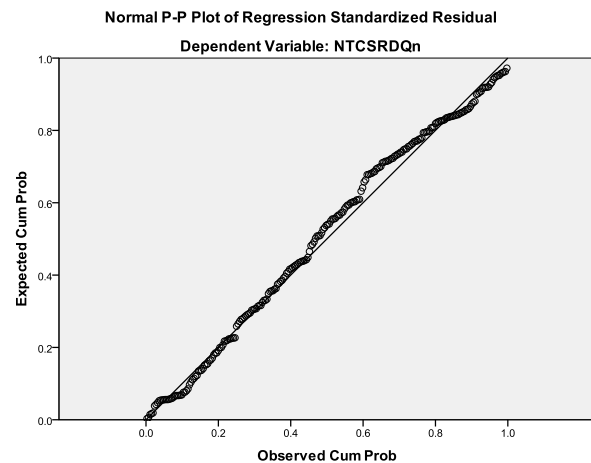
<sup>77</sup> Variance inflation factor (VIF) is a second measure of multicollinearity and is the reciprocal of tolerance value i.e.  $VIF = 1/\text{Tolerance value}$ . Thus low level of tolerance value corresponds to high degree of VIF that shows high degree of multicollinearity. The threshold level of tolerance is 0.10, which correspond to  $VIF = 10$ . The popularity of the VIF is due the fact that square root of VIF shows the degree to which standard error has been increased due to multicollinearity issue (see Hair et al., 2010). If VIF value is greater than 10, it is considered harmful collinearity (Hair et al., 2010; Kennedy, 2008; Neter et al., 1983 cited in Haniffa and Cooke, 2005).

among the independent variables is not an issue because the tolerance and VIF value of each independent variable is substantially below the threshold level (see Table 7.6). Moreover, the correlation matrix has also showed the evidence of absence of perfect multi-collinearity problem as the highest correlation between any two independent variables is 0.565 (see Table 7.5).

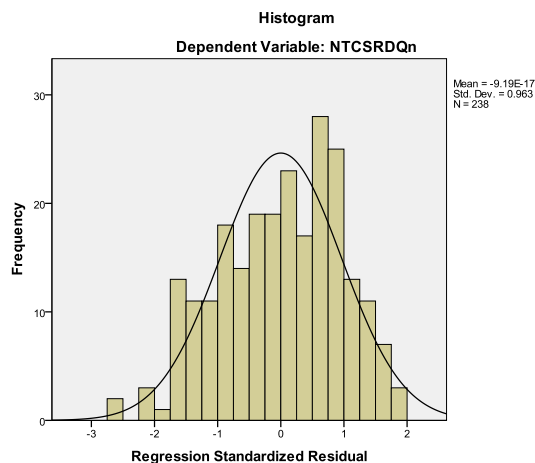
**Figure 7.1: CSR Disclosure (Quantity) – Regression analysis assumptions**



**Figure a: Analysis of standardized Residuals**



**Figure b: Normal Probability Plot: Standardized Residuals**



**Figure c: Residual histogram**

As mentioned earlier, CSR disclosure has four dimensions: environment, human resource, products and consumers, and community involvement. To check the regression analysis assumptions related to the each model, the researcher followed the same procedures mentioned earlier and the results did not show evidence of



non-normality, non-linearity, and multicollinearity. However, a Breusch-Pagan test, conducted to check the homoscedasticity assumption, has shown that three dimensions: environmental disclosure ( $\chi^2 = 6.13$ , p-value = 0.0133), products and consumer disclosure ( $\chi^2 = 9.63$ , p-value = 0.0019), and community involvement disclosure ( $\chi^2 = 12.21$ , p-value = 0.0005) do not have constant variance<sup>78</sup>. This heteroscedasticity issue was addressed by using standard errors robust to heteroscedasticity for each regression coefficient (Gujarati, 2004).

Table 7.6 provides multivariate pooled regression analysis results on CSR disclosure (extent) and its dimensions. All the regression models (F-statistics) are significant at 0.1% and have varying levels of explanatory power (adjusted  $R^2$ ) ranging from

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<sup>78</sup> To check homoscedastic assumption of regression analysis model Breusch Pagen Godfrey test is used here (Gujarati & Porter, 2009; Gujarati, 2004), and this test is more powerful than other homoscedastic tests for example: White's test and Goldfeld-Quandt test (Garson, 2012). In this test  $H_0$ : Errors are homoscedastic (i.e. Variance ( $u_i/x_i$ )= $\delta^2$ ) and  $H_1$ : errors are heteroscedastic (i.e. Variance ( $u_i/x_i$ )= $\delta_i^2$ ) (Gujarati, 2004). This test is sensitive to normality and meant for large samples (Gujarati & Porter, 2009). Here sample includes 238 observations and is considered a large sample. In this test, squared residuals ( $u^2$ ) are standardized by dividing it by  $u^2/N$  (i.e. mean of squared residuals). Then resulting residuals are regressed on all independent variables (say m) suspect of causing heteroscedasticity. The resulting Explained Sum of Square (ESS), through the above regression, divided by 2 follow Chi-square distribution with m-1 degree of freedom. If computed values exceeds critical chi-square values at a chosen level of significance, the researcher can reject null hypothesis i.e. errors are homoscedastic (Gujarati & Porter, 2009; Gujarati, 2004). To avoid this cumbersome procedure, software, for example STATA, can be used to calculate Chi-square and its significance value for Breusch Pagen Godfrey test. On the basis of its significant value the researcher can conclude about the homoscedasticity of the residuals.

In the presence of heteroscedasticity ols estimators are still unbiased and consistent and  $R^2$  (co-efficient of determination) is still valid, but standard errors will not be valid in constructing confidence interval and calculating F and t statistic (Gujarati & Porter, 2009). In order to construct valid t and F statistic, these standard errors should be adjusted. According to Gujarati and Porter (2009) White's heteroscedasticity corrected standard error, considered valid standard errors, were used to draw statistical inferences. White's heteroscedasticity robust standards can be calculated as: for example there are two variables in the regression equations.

$$Y = B_1 + B_2X_i + u_i, \text{Var}(u_i) = \delta_i^2$$

Here  $\text{Vari}(\beta'_2) = \sum x_i^2 \delta_i^2 / (\sum x_i^2)^2$  here  $x_i = (X_i - \text{Mean of } X_i)$  Since  $\delta_i^2$  is not known so White suggested to use  $u^2$  squared residual for each i in place of  $\delta_i^2$  and standard error of  $B'_2$  can be estimated as:

$$\text{Vari}(\beta'_2) = \sum x_i^2 u_i^2 / (\sum x_i^2)^2$$

White's procedure can be generalized to K independent variables but it will be very cumbersome procedure. To avoid this cumbersome procedure popular software for example STATA has the command to calculate standard errors robust to heteroscedasticity (Gujarati and Porter 2009).

29.40% to 50.10%<sup>79</sup>. The results show that the CSR disclosure is principally driven by multinationals' subsidiary ( $S\beta^{80}=0.231$ ,  $p\text{-value}=0.005$ ), followed by CSR standards setting institutions ( $S\beta=0.182$ ,  $p\text{-value}=0.004$ ), NGOs ( $S\beta=0.180$ ,  $p\text{-value}=0.003$ ), CSR forums and networks ( $S\beta=0.175$ ,  $p\text{-value}=0.012$ ), company size ( $S\beta=0.117$ ,  $p\text{-value}=0.070$ ), environmental sensitivity ( $S\beta=0.108$ ,  $p\text{-value}=0.084$ ), and profitability of the company ( $S\beta=0.100$ ,  $p\text{-value}=0.074$ ).

### **Social visibility (company characteristics)**

The results showed a significant positive relationship ( $t=1.76$ ,  $p\text{-value}=0.076$ ) between company size and the extent of CSR disclosure. This result is consistent with the existing disclosure studies, particularly Haniffa and Cooke (2005), Amran and Devi (2008), and Mahadeo et al. (2011), who have found a significant positive relationship between company size and the extent of CSR disclosure. Company size was also found to be significantly positively related to the extent of community involvement disclosure ( $t = 2.15$ ,  $p\text{-value} = 0.033$ ). This result is consistent with Mahadeo et al. (2011), who have found a significant positive relationship between company size and the social disclosure, a dimension of CSR disclosure. The results indicate that the size effect is not necessarily relevant to all the dimensions of CSR disclosures and suggest that large companies with a high social visibility in Pakistan appear to favour one type of CSR disclosure i.e. community involvement.

The results have also shown a significant positive relationship ( $t=1.79$ ,  $p\text{-value}=0.074$ ) between profitability (i.e. return on assets) and the extent of CSR disclosure. Moreover, it also has a significant positive relationship with environmental

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<sup>79</sup> This explanatory power of the models is greater than the models (Total CSR disclosure=31.7%, health and safety= 19.6%, environment=18.3%, social=27.5%, and ethics= 3.74%) presented by Mahadeo et al. (2011).

<sup>80</sup> Standardised beta ( $S\beta$ ) coefficient eliminates problems of different units of measurement of independent variables and this reflects relative impact of independent variable on dependent variable. It is an objective measure of importance of variable (i.e. independent) that can be directly compared (Hair et al., 2010).

disclosure ( $t = 2.18$ ,  $p\text{-value} = 0.031$ ), human resource disclosure ( $t = 2.21$ ,  $p\text{-value} = 0.028$ ), and community involvement disclosure ( $t = 2.13$ ,  $p\text{-value} = 0.034$ ). However, it was not found to be significantly related to the products and consumer disclosure. This result is consistent with Haniffa and Cooke (2005) in which company profitability has a significant positive relationship with the extent of CSR disclosure.

Table 7.6 also shows a significant positive relationship, as expected, of an industry's environmental sensitivity with the extent of CSR disclosure ( $t = 1.73$ ,  $p\text{-value} = 0.084$ ) and environmental disclosure ( $t = 3.14$ ,  $p\text{-value} = 0.002$ ). However, it was not found to be significantly related with other dimensions of CSR disclosure: human resource, products and consumers, and community involvement. This result is consistent with the existing studies, particularly Newson and Deegan (2002), who have shown that high profile companies (i.e. those doing business in chemical, raw material extraction, wood and paper and forestry) are disclosing significantly more CSR information than those in low profile industries.

The results (see Table 7.6) have exhibited a significant positive relationship of consumers' proximity with the extent of environmental disclosure ( $t = 1.67$ ,  $p\text{-value} = 0.096$ ) and community involvement disclosure ( $t = 1.86$ ,  $p\text{-value} = 0.064$ ). This result is consistent with the expectation of Branco and Rodrigues (2008) that companies known to the general public (proxied by consumers' proximity) will disclose community related activities.

Being a multinational subsidiary was found to be significantly positively related to the extent of CSR disclosure ( $t = 2.83$ ,  $p\text{-value} = 0.005$ ), human resource disclosure ( $t = 3.26$ ,  $p\text{-value} = 0.001$ ), and products and consumer disclosure ( $t = 2.69$ ,  $p\text{-value} = 0.008$ ). This result is consistent with the CSR disclosure study conducted in

Bangladesh in which multinational subsidiaries have disclosed more CSR information than the other companies of Bangladesh (see Sobhani et al., 2009).

### **General Contextual Factors**

Consistent with the hypothesis, the results (see Table 7.6) have shown a significant increase in the extent of community involvement disclosure ( $t=3.77$ ,  $p\text{-value}=0.000$ ) and the products and consumers disclosure ( $t=1.88$ ,  $p\text{-value}=0.062$ ).

### **Financial Stakeholders**

Table 7.6 shows a non-significant relationship, contrary to expectations, between institutional ownership (i.e. percentage of shares held by the institutions) and the extent of CSR disclosure and its dimensions. This non-significant relationship can be attributed to the institutional shareholders' minimal interest in CSR activities of the companies. The results (see Table 7.6) also show a significant negative relationship ( $t= -1.80$ ,  $p\text{-value} = 0.072$ ) between the proportion of foreign ownership in domestic companies and the extent of products and consumers disclosure. This indicates that domestic companies with foreign ownership pay less attention to products and consumer disclosure. However, the results showed a significant positive relationship ( $t = 1.99$ ,  $p\text{-value} = 0.048$ ), as expected, between government ownership (i.e. percentage of shares held by the government) and the environmental disclosure, whilst no significant relationship was found with other dimensions: human resource, products and consumers, and community involvement disclosure. This result is consistent with Amran and Devi (2008) who has shown a significant positive relationship between government ownership and the extent of CSR disclosure. This shows that government is an important factor in explaining the CSR disclosure (extent). Further, creditors (proxied by the leverage ratio<sup>81</sup>) were found to be

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<sup>81</sup> Total debt to total assets

significantly positively related to the human resource disclosure ( $t = 1.70$ ,  $p\text{-value} = 0.091$ ). This result is consistent with Mahadeo et al. (2011) in which leverage ratios were found to be significantly positively related to the human resource disclosure (extent) in Mauritius. It is also consistent with the findings of Mahadeo et al., (2011b) who have shown a significant association (i.e. a correlation) between the human resource disclosure and the leverage ratio.

**Table 7.5: Pearson correlation matrix: CSR disclosure (extent, level, and quality), its dimension and continuous independent variables**

	ntcsrdqn	nedqn	nhrdqn	npcdqn	ncidqn	ncsrdl	nedl	nhrdl	npcdl	ncidl	ncsrdql	nedql	nhrdql	npcdql	ncidql	ncs	nroa	nis	nfs	ngs	nc	nnedb
ntcsrdqn	1																					
nedqn	.798**	1																				
nhrdqn	.896**	.786**	1																			
npcdqn	.698**	.513**	.687**	1																		
ncidqn	.756**	.661**	.695**	.481**	1																	
ncsrdl	.929**	.811**	.894**	.732**	.752**	1																
nedl	.769**	.927**	.773**	.509**	.602**	.825**	1															
nhrdl	.850**	.770**	.894**	.646**	.627**	.905**	.764**	1														
npcdl	.528**	.355**	.480**	.750**	.352**	.632**	.363**	.466**	1													
ncidl	.704**	.611**	.660**	.471**	.880**	.769**	.601**	.595**	.357**	1												
ncsrdql	.930**	.787**	.889**	.703**	.811**	.966**	.782**	.856**	.571**	.796**	1											
nedql	.787**	.946**	.776**	.513**	.639**	.828**	.969**	.754**	.372**	.626**	.811**	1										
nhrdql	.875**	.791**	.932**	.660**	.687**	.918**	.781**	.948**	.485**	.679**	.908**	.789**	1									
npcdql	.633**	.456**	.612**	.839**	.454**	.687**	.463**	.537**	.878**	.442**	.672**	.476**	.574**	1								
ncidql	.728**	.626**	.677**	.470**	.920**	.756**	.589**	.621**	.350**	.915**	.834**	.634**	.695**	.425**	1							
ncs	.337**	.281**	.300**	.220**	.359**	.320**	.279**	.242**	.134**	.397**	.369**	.304**	.324**	.202**	.381**	1						
nroa	.235**	.268**	.263**	.124	.251**	.241**	.252**	.240**	.110	.217**	.281**	.289**	.271**	.162*	.302**	.005	1					
nis	.299**	.288**	.299**	.193**	.307**	.267**	.281**	.249**	.044	.287**	.300**	.320**	.300**	.126	.315**	.303**	.198**	1				
nfs	.373**	.369**	.352**	.179**	.419**	.365**	.344**	.308**	.126	.376**	.422**	.398**	.396**	.174**	.421**	.371**	.150*	.457**	1			
ngs	.187**	.205**	.182**	.129*	.111	.158*	.174**	.186**	-.046	.181**	.146*	.177**	.191**	.022	.128*	.331**	.065	.217**	.032	1		
nc	.075	.032	.090	.036	.064	.113	.078	.107	.006	.150*	.081	.047	.100	-.031	.064	.254**	-.273**	-.161*	-.123	.086	1	
nnedb	-.057	-.142*	-.038	.144*	-.105	-.040	-.119	-.067	.031	-.032	-.033	-.131*	-.034	.029	-.043	.021	-.057	.169**	-.055	.062	.042	1

TCSRQn: Total CSR disclosure (extent), EDQn: Environment Disclosure (extent), HRDQn: Human Resource Disclosure (extent), PCDQn: Product and Consumer Disclosure (extent), CIDQn: Community Involvement Disclosure (extent), TCSRDL: Total CSR disclosure (level), EDL: Environment Disclosure (level), HRDL: Human Resource Disclosure (level), PCDL: Product and Consumer Disclosure (level), CIDL: Community Involvement Disclosure (level), TCSRQl: Total CSR disclosure (quality), EDQl: Environment Disclosure (quality), HRDQl: Human Resource Disclosure (quality), PCDQl: Product and Consumer Disclosure (quality), CIDQl: Community Involvement Disclosure (quality), CS: Company Size, ROA: Return on Asset IS: Institutional shareholders, GS: Government Shareholders, FS: Foreign Shareholders, C: Creditors, NED: Non-executive directors on board

**Table 7.6: Determinants of the extent of CSR disclosure and its dimensions**

VARIABLES	ntcsrdqn	nedqn <sup>a</sup>	nhrdqn	npcdqn <sup>a</sup>	ncidqn <sup>a</sup>
<b>Social Visibility (Company Characteristics)</b>					
Ncs (+ve)	<b>0.113*</b> (0.064)	-0.029 (0.057)	0.039 (0.059)	0.095 (0.074)	<b>0.121**</b> (0.056)
Nroa (neutral)	<b>0.097*</b> (0.054)	<b>0.097**</b> (0.045)	<b>0.110**</b> (0.050)	-0.007 (0.058)	<b>0.106**</b> (0.050)
Es (+ve)	<b>0.212*</b> (0.122)	<b>0.341***</b> (0.108)	0.016 (0.112)	0.065 (0.135)	0.049 (0.109)
Cpr (+ve)	-0.075 (0.119)	<b>0.166*</b> (0.100)	-0.024 (0.110)	0.042 (0.139)	<b>0.200*</b> (0.107)
Ms (+ve)	<b>0.608***</b> (0.215)	0.003 (0.192)	<b>0.644***</b> (0.198)	<b>0.701***</b> (0.261)	0.345 (0.209)
<b>General Contextual Factors</b>					
Dummy-year (+ve)	-0.010 (0.094)	0.089 (0.080)	0.128 (0.087)	<b>0.193*</b> (0.103)	<b>0.312***</b> (0.083)
<b>Financial Stakeholders</b>					
Nis (+ve)	-0.005 (0.065)	0.016 (0.046)	0.007 (0.060)	-0.028 (0.063)	0.055 (0.057)
Nfs (neutral)	-0.024 (0.099)	0.119 (0.086)	-0.059 (0.092)	<b>-0.200*</b> (0.111)	0.020 (0.094)
Ngs (+ve)	0.069 (0.059)	<b>0.107**</b> (0.054)	0.068 (0.054)	0.019 (0.069)	-0.025 (0.051)
Nc (neutral)	0.061 (0.057)	0.040 (0.053)	<b>0.090*</b> (0.053)	-0.035 (0.060)	0.043 (0.052)
<b>CSR Promoting Institutions</b>					
Csrfrm (+ve)	<b>0.454**</b> (0.179)	<b>0.536***</b> (0.180)	<b>0.492***</b> (0.165)	<b>0.485**</b> (0.234)	<b>0.276*</b> (0.164)
Ngom (+ve)	<b>0.457***</b> (0.154)	<b>0.231*</b> (0.137)	<b>0.392***</b> (0.142)	0.314 (0.205)	<b>0.456**</b> (0.178)
csrs1 (+ve)	<b>0.479***</b> (0.163)	0.205 (0.169)	<b>0.597***</b> (0.150)	<b>0.384**</b> (0.194)	0.206 (0.155)
csrs2 (+ve)	0.0879 (0.119)	<b>0.212**</b> (0.100)	<b>0.248**</b> (0.110)	<b>0.246*</b> (0.130)	0.164 (0.101)
<b>Internal Contextual Factors (Corporate Governance)</b>					
Nnedb (neutral)	-0.0195 (0.056)	<b>-0.123***</b> (0.044)	0.0112 (0.052)	<b>0.213***</b> (0.067)	-0.050 (0.050)
Cmd (+ve)	0.126 (0.109)	0.042 (0.091)	0.135 (0.100)	-0.089 (0.123)	0.098 (0.100)
Nedac (neutral)	0.004 (0.119)	0.076 (0.0995)	-0.061 (0.110)	-0.175 (0.131)	-0.080 (0.108)
Constant	<b>-0.424***</b> (0.134)	<b>-0.523***</b> (0.108)	<b>-0.487***</b> (0.123)	<b>-0.331**</b> (0.145)	<b>-0.492***</b> (0.112)
Adjusted R-squared	40.14%	50.10%	44.93%	29.40%	47.40%
F statistic (p-value)	10.35 (0.000)	16.08 (0.000)	12.37 (0.000)	5.79 (0.000)	14.46 (0.000)
Tolerance Value	33.0-98.9%	33.0-98.9%	33.0-98.9%	33.0-98.9%	33.0-98.9%
VIF	1.012-3.035	1.012-3.035	1.012-3.035	1.012-3.035	1.012-3.035
Breusch-Pagan $\chi^2$ (p-value)	0.23 (0.629)	5.48 (0.019)	0.06 (0.813)	9.16 (0.002)	12.31 (0.001)
Observations	238	238	238	238	238

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1, Standard errors in parentheses. <sup>a</sup> represents models having heteroscedasticity problem and robust standard errors has been in these models. Standard errors represent the expected variation in the regression coefficients among the samples of same size (Hair et al., 2010). TCSRDN: Total CSR disclosure (extent), EDQn: Environment Disclosure (extent), HRDQn: Human Resource Disclosure (extent), PCDQn: Product and Consumer Disclosure (extent), CIDQn: Community Involvement Disclosure (extent)

### **CSR Promoting Institutions**

The results have shown that the membership of CSR forums and networks has a significant positive relationship with the extent of CSR disclosure ( $t= 2.53$ ,  $p\text{-value}= 0.012$ ) and its dimensions: environment ( $t=2.98$ ,  $p\text{-value}=0.003$ ), human resource ( $t=2.98$ ,  $p\text{-value}=0.003$ ), products and consumers ( $t=2.03$ ,  $p\text{-value}=0.039$ ), and community involvement ( $t=1.68$ ,  $p\text{-value}=0.094$ ). The results indicate that companies which are members of CSR forums and networks in Pakistan appear to favour all types of CSR issues. A significant positive relationship was also observed, as predicted, between the memberships of NGOs (i.e. WWF) and the extent of CSR disclosure ( $t=2.97$ ,  $p\text{-value}=0.003$ ) and its dimensions environmental disclosure ( $t=1.1.68$ ,  $p\text{-value}=0.094$ ), human resource disclosure ( $t=2.77$ ,  $p\text{-value}=0.006$ ), and community involvement disclosure ( $t=2.57$ ,  $p\text{-value}=0.011$ ). The results indicate that companies which are members of NGOs in Pakistan appear to favour three types of CSR issues i.e. environment, human resources, and community involvement. Table 7.6 provides evidence of a significant positive relationship, as expected, between companies having CSR standards (i.e. SA8000 and OHSAS) and the extent of CSR disclosure ( $t=2.94$ ,  $p\text{-value}=0.004$ ). These companies were also found to be significantly related to human resource disclosure ( $t=3.99$ ,  $p\text{-value}=0.000$ ) and products and consumer disclosure ( $t=1.90$ ,  $p\text{-value}=0.059$ ). This suggests that companies having CSR standards (i.e. SA8000, OHSAS) appear to favour human resource and products and consumer disclosure. In addition to this, a significant positive relationship was found, as expected, between companies having CSR standards (i.e. ISO14000/ISO9000) and the environmental disclosure ( $t=2.11$ ,  $p\text{-value}=0.036$ ). Possession of such standards also has a significant positive relationship with the human resource disclosure ( $t=2.26$ ,  $p\text{-value}=0.025$ ), and the



products and consumer disclosure ( $t=1.90$ ,  $p\text{-value}=0.059$ ). This suggests that companies adhering to CSR standards particularly ISO14000 and ISO9000 appear to give more attention to environment, human resource, and products and consumers related issues.

### **Internal contextual factors**

Table 7.6 exhibits a significant negative relationship between non-executive directors on the board and the extent of environmental disclosure ( $t=-2.80$ ,  $p\text{-value}=0.006$ ). This result is consistent with Haniffa and Cooke (2005) who have shown a significant negative relationship between the composition of non-executive directors and the extent of CSR disclosure in Malaysia. This suggests that the environmental disclosure issue is a matter of less concern for non-executive directors on company boards in Pakistan. However, the proportion has a significant positive relationship with the products and consumers disclosure ( $t=3.21$ ,  $p\text{-value}=0.002$ ). This suggests that non-executive directors on company boards in Pakistan appear to give more attention to products and consumers related issues. The results have also shown a non-significant relationship of chairman with multiple directorships and non-executive directors' presence in the audit committee with the extent of CSR disclosure and its dimensions (see Table 7.6).

### **7.2.5 CSR Disclosure Level**

This section discusses the assumptions of the regression analysis models (i.e. the level of CSR disclosure and its dimensions) and their results. To check the regression analysis assumptions, the researcher used the same tests as in the previous section. The results did not exhibit problems of non-linearity, non-normality, and multicollinearity. However, a Breusch-Pagan statistical test, carried out to check

the homoscedasticity of residuals (Gujarati, 2004), has shown that the two (out of five) models: products and consumer disclosure ( $\chi^2 = 4.30$ , p-value = 0.0380) and community involvement disclosure ( $\chi^2 = 5.31$ , p-value = 0.0211) are heteroscedastic. However, this problem was remedied by using standard errors robust to heteroscedasticity (Gujarati, 2004).

Table 7.7 provides pooled regression analysis results on the level of CSR disclosure and its dimensions. The regression models (F-statistics) are significant at 0.1% and have varying levels of explanatory power (adjusted  $R^2$ ) ranging from 16.60% to 43.90%. The results show that the level of CSR disclosure is principally driven by being a multinational subsidiary ( $S\beta=0.232$ , p-value=0.004), followed by membership of CSR forums and networks ( $S\beta=0.200$ , p-value=0.003), CSR standards setting institutions ( $S\beta=0.181$ , p-value=0.003), link to NGOs i.e. WWF ( $S\beta=0.144$ , p-value=0.016), government regulations (represented by the year dummy) ( $S\beta=0.117$ , p-value=0.018), and company profitability ( $S\beta=0.114$ , p-value=0.038).

### **Social visibility (company characteristics)**

Table 7.7 shows a significant positive relationship of company size (i.e. company assets) with the level of products and consumers disclosure ( $t=2.07$ , p-value= 0.048) and community involvement disclosure ( $t=1.73$ , p-value=0.084). However, it was not found to be significantly related to the CSR disclosure and its other dimensions: environment and human resource. The results indicate that large companies with a high social visibility in Pakistan appear to favour products and consumers, and community related themes. This result can be supported by Haniffa and Cooke (2002), Haniffa and Cooke (2005), and Branco and Rodrigues (2008), who have shown a significant positive relationship between the level of CSR disclosure and company size.

**Table 7.7: Determinants of the level of CSR disclosure and its dimensions**

VARIABLES	ncsrdl	nedl	nhrdl	npcdl <sup>b</sup>	ncidl <sup>b</sup>
<b>Social Visibility (Company Characteristics)</b>					
Ncs (+ve)	0.071 (0.063)	-0.021 (0.059)	-0.015 (0.062)	<b>0.151**</b> (0.073)	<b>0.101*</b> (0.058)
Nroa (neutral)	<b>0.111**</b> (0.053)	<b>0.099**</b> (0.047)	<b>0.113**</b> (0.052)	0.024 (0.059)	<b>0.097**</b> (0.045)
Es (+ve)	0.197 (0.120)	<b>0.233**</b> (0.107)	<b>0.261**</b> (0.118)	0.026 (0.140)	0.015 (0.101)
Cpr (+ve)	0.101 (0.117)	<b>0.177*</b> (0.104)	0.021 (0.115)	-0.005 (0.139)	<b>0.271***</b> (0.104)
Ms (+ve)	<b>0.617***</b> (0.211)	0.099 (0.188)	<b>0.594***</b> (0.207)	<b>0.674**</b> (0.278)	0.179 (0.201)
<b>General Contextual Factors</b>					
Dummy-year (+ve)	<b>0.221**</b> (0.093)	0.111 (0.082)	0.130 (0.091)	0.133 (0.109)	<b>0.239***</b> (0.081)
<b>Financial Stakeholders</b>					
Nis (+ve)	-0.029 (0.064)	0.034 (0.057)	-0.011 (0.063)	-0.080 (0.069)	0.032 (0.054)
Nfs (neutral)	-0.032 (0.098)	0.070 (0.087)	-0.055 (0.098)	<b>-0.202*</b> (0.108)	0.075 (0.087)
Ngs (+ve)	0.043 (0.058)	0.069 (0.052)	<b>0.103*</b> (0.057)	<b>-0.128*</b> (0.069)	0.034 (0.048)
Nc (neutral)	0.091 (0.057)	0.079 (0.050)	<b>0.108*</b> (0.055)	-0.050 (0.062)	<b>0.102**</b> (0.051)
<b>CSR Promoting Institutions</b>					
Csrfrm (+ve)	<b>0.524***</b> (0.176)	<b>0.491***</b> (0.157)	<b>0.385**</b> (0.173)	0.334 (0.205)	0.188 (0.171)
Ngom (+ve)	<b>0.370**</b> (0.152)	0.201 (0.135)	<b>0.282*</b> (0.148)	<b>0.406**</b> (0.194)	<b>0.309*</b> (0.177)
csrs1 (+ve)	<b>0.479***</b> (0.160)	<b>0.268*</b> (0.142)	<b>0.587***</b> (0.157)	0.082 (0.189)	<b>0.252*</b> (0.136)
csrs2 (+ve)	0.136 (0.117)	<b>0.209**</b> (0.104)	0.056 (0.115)	0.151 (0.135)	<b>0.246**</b> (0.102)
<b>Internal Contextual Factors (Corporate Governance)</b>					
Nnedb (neutral)	0.026 (0.056)	<b>-0.096*</b> (0.049)	0.001 (0.054)	<b>0.133**</b> (0.064)	-0.016 (0.050)
Cmd (+ve)	0.093 (0.107)	0.053 (0.095)	0.172 (0.105)	-0.106 (0.131)	0.023 (0.100)
Nedac (neutral)	-0.072 (0.117)	0.038 (0.104)	-0.090 (0.115)	<b>-0.238*</b> (0.138)	0.017 (0.106)
Constant	<b>-0.577***</b> (0.132)	<b>-0.491***</b> (0.117)	<b>-0.465***</b> (0.129)	-0.108 (0.166)	<b>-0.508***</b> (0.122)
Adjusted R-squared	42.98%	40.33%	38.12%	16.60%	43.90%
F statistic (p-value)	11.51 (0.000)	10.42 (0.000)	9.59 (0.000)	2.63 (0.001)	13.61 (0.000)
Tolerance Value	33.0-98.9%	33.0-98.9%	33.0-98.9%	33.0-98.9%	33.0-98.9%
VIF	1.012-3.035	1.012-3.035	1.012-3.035	1.012-3.035	1.012-3.035
Breusch-Pagan $\chi^2$ (p-value)	0.29 (0.590)	2.65 (0.104)	0.21 (0.644)	4.38 (0.036)	5.54 (0.019)
Observations	238	238	238	238	238

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1, Standard errors in parentheses. B represents models having heteroscedasticity problem and robust standard errors has been in these models. Standard errors represent the expected variation in the regression coefficients among the samples of same size (Hair et al., 2010). TCSRDL: Total CSR disclosure (level), EDL: Environment Disclosure (level), HRDL: Human Resource Disclosure (level), PCDL: Product and Consumer Disclosure (level), CIDL: Community Involvement Disclosure (level)

The results also show a significant positive relationship ( $t=2.09$ ,  $p\text{-value}=0.038$ ) between company profitability (i.e. return on assets) and the level of CSR disclosure. Moreover, it also has a significant positive relationship with environmental disclosure ( $t=2.11$ ,  $p\text{-value}=0.036$ ), human resource disclosure ( $t=2.17$ ,  $p\text{-value}=0.031$ ), and community involvement disclosure ( $t=2.16$ ,  $p\text{-value}=0.031$ ). These results are consistent with previous studies, conducted in Malaysia, by Haniffa and Cooke (2002) and Haniffa and Cooke (2005), who have shown a significant positive relationship between company profitability and the level of CSR disclosure.

An industry's environmental sensitivity was found to be significantly positively related to the level of environmental disclosure ( $t=2.19$ ,  $p\text{-value}=0.030$ ) and human resource disclosure ( $t=2.22$ ,  $p\text{-value}=0.027$ ). This indicates that environmentally sensitive companies appear to report more on human resource and environmental activities because environmentally sensitive activities can be hazardous to both the employees and the natural environment. This result can be partially supported by Reverte (2009) who has found a significant positive relationship between an industry's environmental sensitivity and the level of CSR disclosure.

Consumers' proximity has a significant positive relationship with the level of environmental disclosure ( $t=1.70$ ,  $p\text{-value}=0.090$ ) and community involvement disclosure ( $t=2.60$ ,  $p\text{-value}=0.010$ ). This result is consistent with the expectations of Branco and Rodrigues (2008) that companies known to the general public appear to disclose more community related activities. To be a multinational subsidiary also has a significant positive relationship with the level of CSR disclosure ( $t=2.92$ ,  $p\text{-value}=0.004$ ), human resource disclosure ( $t=2.87$ ,  $p\text{-value}=0.004$ ), and products and consumers disclosure ( $t=2.42$ ,  $p\text{-value}=0.016$ ). This shows that the multinational

subsidiaries in Pakistan appear to give more attention to the products and consumers and the employees' related activities.

### **General Contextual factors**

Consistent with the hypothesis, the results (see Table 7.7) indicate a significant increase in the level of CSR disclosure ( $t=2.38$ ,  $p\text{-value}=0.018$ ) and community involvement disclosure ( $t=2.93$ ,  $p\text{-value}=0.004$ ).

### **Financial Stakeholders**

Table 7.7 shows a non-significant relationship, contrary to expectations, between institutional ownership (i.e. percentage of shares held by the institutions) and the level of CSR disclosure and its dimensions. This non-significant relationship can be added to the existing literature, particularly Haniffa and Cooke (2002), who showed a non-significant relationship between institutional ownership and the level of CSR disclosure. Contrary to expectations, the results showed a significant negative relationship ( $t=-1.88$ ,  $p\text{-value}=0.062$ ) between the proportion of foreign ownership in domestic companies and the level of products and consumer disclosure. This indicates that foreign owners are less concerned than domestic shareholders with product and consumer related issues. Similar to foreign ownership, government ownership (i.e. percentage of shares held by the government) has a significant negative relationship with the level of products and consumer disclosure ( $t= -1.86$ ,  $p\text{-value}=0.064$ ). However, it has a significant positive relationship with the level of human resource disclosure ( $t=1.81$ ,  $p\text{-value}=0.072$ ). This indicates that the companies with government ownership in Pakistan appear to favour human resource disclosure. Consistent with the hypothesis, Table 7.7 showed a significant positive relationship between financially riskier (proxy by the leverage ratio) companies and the level of human resource disclosure ( $t=1.95$ ,  $p\text{-value}=0.053$ ) and community

involvement disclosure ( $t=2.00$ ,  $p\text{-value}=0.047$ ). This result is consistent with the interpretation of Vountisjarvi (2006) that human resource information was disclosed by Finnish companies to communicate the message to the financial community that they have a well-educated and committed workforce.

### **CSR Promoting Institutions**

The results have shown a significant positive relationship ( $t=3.13$ ,  $p\text{-value}=0.002$ ), between membership of CSR forums and networks and the level of CSR disclosure, which is consistent with the hypothesis. Moreover, membership of CSR forums and networks also has a significant positive relationship to environmental ( $t=3.13$ ,  $p\text{-value}=0.002$ ) and human resource disclosure ( $t=2.23$ ,  $p\text{-value}=0.027$ ). Table 7.7 also shows a significant positive relationship, consistent with the predictions, of the membership of NGOs (i.e. WWF) with the level of CSR disclosure ( $t=2.44$ ,  $p\text{-value}=0.016$ ) and its dimensions: human resource ( $t=1.90$ ,  $p\text{-value}=0.059$ ) products and consumers ( $t=2.09$ ,  $p\text{-value}=0.038$ ), and community involvement ( $t=1.74$ ,  $p\text{-value}=0.083$ ). This indicates that the companies with membership of NGOs (i.e. WWF) in Pakistan appear to report more about employees, customers, and community related activities. Further, evidence of a significant positive relationship was observed, as expected, between companies having CSR standards (i.e. SA8000 and OHSAS) and the level of CSR disclosure ( $t=3.00$ ,  $p\text{-value}=0.003$ ). These companies were also found to make significantly greater disclosures on environmental ( $t=1.88$ ,  $p\text{-value}=0.061$ ), human resource ( $t=3.75$ ,  $p\text{-value}=0.000$ ) and community involvement issues ( $t=1.85$ ,  $p\text{-value}=0.066$ ). The results also exhibited a significant positive relationship between companies having CSR standards (i.e. ISO14000/ISO9000) and environmental ( $t=2.01$ ,  $p\text{-value}=0.046$ ) and community

involvement disclosure ( $t=2.40$ ,  $p\text{-value}=0.017$ ), which is consistent with the hypothesis (H11c).

### **Internal contextual factors**

A significant negative relationship was found, contrary to the hypothesis, between non-executive directors on the board and the level of environmental disclosure ( $t=-1.95$ ,  $p\text{-value}=0.053$ ). This suggests that the environmental disclosure issue is a matter of less concern for non-executive directors on the board in Pakistan. The researcher could not find a study examining the relationship between non-executive directors on the board and the level of environmental disclosure. So this result cannot be compared with the existing disclosure studies. However, this result can be partially supported with the studies by Haniffa and Cook (2002) and Haniffa and Cooke (2005) who showed a significant negative relationship between non-executive directors on the board and the level of CSR disclosure in Malaysia. However, non-executive directors on the board have a significant positive relationship with the level of products and consumers disclosure ( $t=2.08$ ,  $p\text{-value}=0.038$ ). This shows that non-executive directors on company boards in Pakistan appear to place an emphasis on product related activities. The results (see Table 7.7) showed a significant negative relationship ( $t=-1.73$ ,  $p\text{-value}=0.085$ ) between non-executive directors in the audit committee and the level of products and consumer disclosure. It seems that non-executive directors in the audit committee in Pakistan appear to give less attention than executive directors to products and consumers related.

### 7.2.6 CSR Disclosure Quality

This section discusses the assumptions of the regression analysis models (i.e. the quality of CSR disclosure and its dimensions) and their results. To check the regression analysis assumptions, the researcher used the same tests as in the previous sections. The results did not exhibit problems of non-linearity, non-normality, and multicollinearity. However, a Breusch-Pagan test, calculated to check the homoscedasticity, has shown that three models: the environmental disclosure ( $\chi^2 = 6.23$ , p-value = 0.0126), the products and consumer disclosure ( $\chi^2 = 10.12$ , p-value = 0.0015), and the community involvement disclosure ( $\chi^2 = 11.66$ , p-value = 0.0006) are heteroscedastic. This problem was addressed using standard errors robust to the heteroscedasticity (Gujarati, 2004).

Table 7.8 provides pooled regression analysis results on the quality of CSR disclosure and its dimensions. All of the models (F-statistics) are significant at 0.1% and have varying levels of explanatory power (adjusted  $R^2$ ) ranging from 25.90% to 50.50%. The results show that the quality of CSR disclosure is principally driven by multinational subsidiary ( $S\beta=0.212$ , p-value=0.005), followed by CSR forums and networks ( $S\beta=0.192$ , p-value=0.003), NGOs i.e. WWF ( $S\beta=0.161$ , p-value=0.004), government regulations (represented by the year dummy) ( $S\beta=0.150$ , p-value=0.001), CSR standards setting institutions ( $S\beta=0.149$ , p-value=0.016), company profitability ( $S\beta=0.145$ , p-value=0.005), and company size ( $S\beta=0.134$ , p-value=0.029). The results are discussed below under each group of proxies: social visibility, general contextual factors, and internal contextual factors.



**Table 7.8: Determinants of the quality of CSR disclosure and its determinants**

VARIABLES	ncsrdql	nedql <sup>c</sup>	nhrdql	npcdql <sup>c</sup>	ncidql <sup>c</sup>
<b>Social Visibility (Company Characteristics)</b>					
Ncs (+ve)	<b>0.131**</b> (0.060)	6.13e-06 (0.055)	0.029 (0.058)	<b>0.161**</b> (0.073)	<b>0.135**</b> (0.054)
Nroa (neutral)	<b>0.141***</b> (0.050)	<b>0.117***</b> (0.044)	<b>0.131***</b> (0.049)	0.0198 (0.059)	<b>0.160***</b> (0.046)
Es (+ve)	0.185 (0.114)	<b>0.273**</b> (0.107)	0.101 (0.111)	0.004 (0.139)	0.104 (0.110)
Cpr (+ve)	0.058 (0.111)	0.133 (0.098)	0.075 (0.108)	-0.015 (0.138)	0.150 (0.107)
Ms (+ve)	<b>0.563***</b> (0.200)	0.167 (0.205)	<b>0.506**</b> (0.195)	<b>0.647**</b> (0.254)	0.307 (0.197)
<b>General Contextual Factors</b>					
Dummy-year (+ve)	<b>0.283***</b> (0.088)	0.088 (0.080)	0.135 (0.086)	0.156 (0.105)	<b>0.298***</b> (0.083)
<b>Financial Stakeholders</b>					
Nis (+ve)	-0.024 (0.061)	0.038 (0.047)	-0.019 (0.059)	-0.051 (0.068)	0.029 (0.055)
Nfs (neutral)	0.021 (0.093)	0.089 (0.088)	0.036 (0.090)	<b>-0.200*</b> (0.104)	0.066 (0.089)
Ngs (+ve)	0.011 (0.055)	0.066 (0.050)	0.084 (0.054)	-0.086 (0.068)	-0.015 (0.049)
Nc (neutral)	0.069 (0.054)	0.061 (0.051)	<b>0.097*</b> (0.052)	-0.082 (0.060)	0.059 (0.046)
<b>CSR Promoting Institutions</b>					
Csrfnm (+ve)	<b>0.504***</b> (0.167)	<b>0.473***</b> (0.173)	<b>0.610***</b> (0.163)	0.284 (0.222)	0.159 (0.172)
Ngom (+ve)	<b>0.414***</b> (0.143)	<b>0.253*</b> (0.136)	0.178 (0.140)	<b>0.512**</b> (0.212)	<b>0.401**</b> (0.165)
csrs1 (+ve)	<b>0.395***</b> (0.152)	0.273 (0.170)	<b>0.529***</b> (0.148)	0.206 (0.203)	0.257 (0.161)
csrs2 (+ve)	<b>0.185*</b> (0.111)	<b>0.200**</b> (0.094)	0.163 (0.108)	<b>0.390***</b> (0.142)	<b>0.198*</b> (0.102)
<b>Internal Contextual Factors (Corporate Governance)</b>					
Nnedb (neutral)	0.037 (0.053)	<b>-0.104**</b> (0.046)	0.020 (0.051)	<b>0.115*</b> (0.064)	-0.001 (0.051)
Cmd (+ve)	0.095 (0.101)	0.064 (0.090)	0.136 (0.099)	-0.095 (0.127)	0.080 (0.097)
Nedac (neutral)	-0.081 (0.111)	0.049 (0.101)	-0.063 (0.108)	-0.191 (0.134)	-0.020 (0.104)
Constant	<b>-0.586***</b> (0.125)	<b>-0.495***</b> (0.108)	<b>-0.488***</b> (0.122)	<b>-0.285*</b> (0.155)	<b>-0.505***</b> (0.105)
R-squared	49.08%	50.50%	46.04%	25.90%	48.10%
F statistic (p-value)	14.44 (0.000)	16.13 (0.000)	12.90 (0.000)	5.60 (0.000)	14.99 (0.000)
Tolerance Value	33.0-98.9%	33.0-98.9%	33.0-98.9%	33.0-98.9%	33.0-98.9%
VIF	1.012-3.035	1.012-3.035	1.012-3.035	1.012-3.035	1.012-3.035
Breusch-Pagan $\chi^2$ (p-value)	0.24 (0.625)	5.89 (0.015)	0.41 (0.522)	10.15 (0.001)	11.78 (0.001)
Observations	238	238	238	238	238

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1, Standard errors in parentheses. C represents models having heteroscedasticity problem and robust standard errors has been in these models. Standard errors represent the expected variation in the regression coefficients among the samples of same size (Hair et al., 2010). TCSR DQI: Total CSR disclosure (quality), EDQI: Environment Disclosure (quality), HRDQI: Human Resource Disclosure (quality), PCDQI: Product and Consumer Disclosure (quality), CIDQI: Community Involvement Disclosure (quality)

### **Social visibility (company characteristics)**

Table 7.8 shows a significant positive relationship between company size (i.e. company assets) and the quality of CSR disclosure ( $t=2.20$ ,  $p\text{-value}=0.029$ ), products and consumer disclosure ( $t=2.20$ ,  $p\text{-value}=0.029$ ) and community involvement disclosure ( $t=2.51$ ,  $p\text{-value}=0.013$ ). However, it was not found to be significantly related to other CSR disclosure dimensions: environment and human resources. The results suggest that large companies with a high social visibility in Pakistan appear to make 'high quality' disclosure about community and product and consumer related issues. The researcher could not find a study examining the quality of CSR disclosure in the developing countries. However, environmental disclosure studies in the developed countries have shown a significant positive relationship between company size and the quality of environmental disclosure (France: Cormier & Magnan, 2003; Germany: Cormier et al., 2005). This shows that company size is an important variable in explaining the quality of CSR disclosure.

Company profitability (i.e. return on assets) has a significant positive relationship with the quality of CSR disclosure ( $t=2.81$ ,  $p\text{-value}=0.005$ ) and its dimensions: environment ( $t=2.70$ ,  $p\text{-value}=0.008$ ), human resource ( $t=2.67$ ,  $p\text{-value}=0.008$ ), and community involvement ( $t=3.48$ ,  $p\text{-value}=0.001$ ). This result is consistent with the previous environmental disclosure (quality) studies, showing a positive relationship between company profitability and the quality of environmental disclosure (see Cormier et al., 2005; Cormier & Magnan 2003). However, the researcher could not find a disclosure study examining the relationship of company profitability with the quality of CSR disclosure, human resource disclosure, and community involvement disclosure. That is why other results cannot be compared in this case. However, a

possible explanation for these results is put forward with the help of theories in the next section.

An industry's environmental sensitivity was found to be significantly positively related to the quality of environmental disclosure ( $t=2.56$ ,  $p\text{-value}=0.011$ ), as predicted in the hypothesis (see Table 7.8). It suggests that environmentally sensitive companies in Pakistan appear to make higher quality disclosures about environmental issues.

The results (see Table 7.8) exhibited a significant positive relationship between a multinational subsidiary status and the quality of CSR disclosure ( $t=2.81$ ,  $p\text{-value}=0.005$ ), human resource disclosure ( $t=2.59$ ,  $p\text{-value}=0.010$ ), and products and consumer disclosure ( $t=2.55$ ,  $p\text{-value}=0.011$ ). This shows that the multinational subsidiaries in Pakistan appear to make high quality disclosures about the human resources and the product and consumer related issues. However, contrary to the expectations, consumers' proximity was not found to be significantly related to the quality of CSR disclosure and its dimensions (see Table 7.8).

### **General Contextual Factors**

Consistent with the hypothesis, a significant increase over time (2008-2011) was observed in the quality of CSR disclosure ( $t=3.22$ ,  $p\text{-value}=0.001$ ) and community involvement disclosure ( $t=3.61$ ,  $p\text{-value}=0.000$ ).

### **Financial Stakeholders**

The results (see Table 7.8) showed a significant negative relationship, contrary to expectations, between foreign ownership (i.e. percentage of shares held by foreign companies and individuals particularly from USA, UK, Netherland, Switzerland, and Germany in domestic companies) and the quality of products and consumer disclosure ( $t=-1.93$ ,  $p\text{-value}=0.055$ ). This result indicates that companies with foreign

ownership pay less attention to products and consumer disclosure quality. In addition to this, a significant positive relationship, consistent with the hypothesis, between financially riskier (proxied by the leverage ratio) companies and the quality of human resource disclosure ( $t=1.87$ ,  $p\text{-value}=0.063$ ) was observed. This indicates that financially riskier companies in Pakistan appear to make better quality disclosures about human resource issues. However, the results included a non-significant relationship, contrary to expectations, between institutional ownership (i.e. percentage of shares held by the institutions) and the quality of CSR disclosure and its dimensions (see Table 7.8). Similarly a non-significant relationship was observed, contrary to expectations, between government ownership (i.e. percentage of shares held by the government) and the quality of CSR disclosure and its dimensions. These results indicate that companies with institutional ownership and government ownership in Pakistan appear to pay little attention to the quality of disclosures about CSR issues.

### **CSR Promoting Institutions**

Company membership of CSR forums and networks was found to be significantly positively related to the quality of overall CSR ( $t=3.02$ ,  $p\text{-value}=0.003$ ), environmental ( $t=2.73$ ,  $p\text{-value}=0.007$ ), and human resource disclosure ( $t=3.75$ ,  $p\text{-value}=0.000$ ) (see Table 7.8). In addition to this, a significant positive relationship, consistent with the predictions, was observed between membership of NGOs (i.e. WWF) and the quality of overall CSR disclosure ( $t=2.89$ ,  $p\text{-value}=0.004$ ). Moreover, it was also found to be significantly related to the quality of environmental ( $t=1.86$ ,  $p\text{-value}=0.064$ ), products and consumers ( $t=2.41$ ,  $p\text{-value}=0.017$ ), and community involvement disclosure ( $t=2.44$ ,  $p\text{-value}=0.016$ ). Consistent to expectations, a significant positive relationship was found between companies having CSR

standards (i.e. SA8000 and OHSAS) and the quality of overall CSR disclosure ( $t=2.61$ ,  $p\text{-value}=0.010$ ) and human resource disclosure ( $t=3.58$ ,  $p\text{-value}=0.000$ ). Table 7.8 also displays a significant positive relationship, consistent with the hypothesis, between companies having CSR standards (i.e. ISO14000/ISO9000) and environmental disclosure ( $t=2.12$ ,  $p\text{-value}=0.035$ ). Moreover, it also has a significant positive relationship with the quality of overall CSR ( $t=1.66$ ,  $p\text{-value}=0.098$ ), products and consumers ( $t=2.75$ ,  $p\text{-value}=0.007$ ), and community involvement disclosure ( $t=1.94$ ,  $p\text{-value}=0.053$ ).

#### **Internal contextual factors (corporate governance)**

Contrary to the hypothesis, Table 7.8 exhibits a significant negative relationship between having non-executive directors on the board and the quality of environmental disclosure ( $t=-2.25$ ,  $p\text{-value}=0.025$ ). This suggests that the quality of environmental disclosure is of less concern to non-executive directors than to insiders on company boards in Pakistan. However, the proportion has a significant positive relationship with the products and consumer disclosure ( $t=1.80$ ,  $p\text{-value}=0.074$ ). The results also showed a non-significant relationship of the chairman having multiple directorships and non-executive directors' present in the audit committee with the quality of CSR disclosure and its dimensions (see Table 7.8).

**Table 7.9: Determinants of CSR disclosure and its dimensions**

Variables (predicted sign)	DM	CSR	ED	HRD	PCD	CID	Decision
Social Visibility (Company Characteristics)							
Ncs (+ve)	Extent	0.113*	-0.029	0.039	0.095	0.121**	Partial support (H1)
	Level	0.071	-0.021	-0.015	0.151**	0.101*	
	Quality	0.131**	6.13e-06	0.029	0.161**	0.135**	
Nroa (neutral)	Extent	0.097*	0.097**	0.110**	-0.007	0.106**	Partial support (H2)
	Level	0.111**	0.099**	0.113**	0.024	0.097**	
	Quality	0.141***	0.117***	0.131***	0.0198	0.160***	
Es (+ve)	Extent	0.212*	0.341***	0.016	0.065	0.049	Full Support (H3)
	Level	0.197	0.233**	0.261**	0.026	0.015	
	Quality	0.185	0.273**	0.101	0.004	0.104	
Cpr (+ve)	Extent	-0.075	0.166*	-0.024	0.042	0.200*	Full Support (H4)
	Level	0.101	0.177*	0.021	-0.005	0.271***	
	Quality	0.058	0.133	0.075	-0.015	0.150	
Ms (+ve)	Extent	0.608***	0.003	0.644***	0.701***	0.345	Partial Support (H5)
	Level	0.617***	0.099	0.594***	0.674**	0.179	
	Quality	0.563***	0.167	0.506**	0.647**	0.307	
General Contextual Factors							
Dummy-year (+ve)	Extent	-0.010	0.089	0.128	0.193*	0.312***	Partial Support (H6)
	Level	0.221**	0.111	0.130	0.133	0.239***	
	Quality	0.283***	0.088	0.135	0.156	0.298***	
Financial Stakeholders							
Nis (+ve)	Extent	-0.005	0.016	0.007	-0.028	0.055	No Support (H7a)
	Level	-0.029	0.034	-0.011	-0.080	0.032	
	Quality	-0.024	0.038	-0.019	-0.051	0.029	
Nfs (neutral)	Extent	-0.024	0.119	-0.059	-0.200*	0.020	No Support(H7b)
	Level	-0.032	0.070	-0.055	-0.202*	0.075	
	Quality	0.021	0.089	0.036	-0.200*	0.066	
Ngs (+ve)	Extent	0.069	0.107**	0.068	0.019	-0.025	Partial Support (H7c)
	Level	0.043	0.069	0.103*	-0.128*	0.034	
	Quality	0.011	0.066	0.084	-0.086	-0.015	
Nc (neutral)	Extent	0.061	0.040	0.090*	-0.035	0.043	Partial Support (H8)
	Level	0.091	0.079	0.108*	-0.050	0.102**	
	Quality	0.069	0.061	0.097*	-0.082	0.059	
CSR Promoting Institutions							
Csrfnm (+ve)	Extent	0.454**	0.536***	0.492***	0.485**	0.276*	Full Support (H9)
	Level	0.524***	0.491***	0.385**	0.334	0.188	
	Quality	0.504***	0.473***	0.610***	0.284	0.159	
Ngom (+ve)	Extent	0.457***	0.231*	0.392***	0.314	0.456**	Full Support (H10a)
	Level	0.370**	0.201	0.282*	0.406**	0.309*	
	Quality	0.414***	0.253*	0.178	0.512**	0.401**	
csrs1 (+ve)	Extent	0.479***	0.205	0.597***	0.384**	0.206	Full Support (H11a, H11b)
	Level	0.479***	0.268*	0.587***	0.082	0.252*	
	Quality	0.395***	0.273	0.529***	0.206	0.257	
csrs2 (+ve)	Extent	0.0879	0.212**	0.248**	0.246*	0.164	Full Support (H11c)
	Level	0.136	0.209**	0.056	0.151	0.246**	
	Quality	0.185*	0.200**	0.163	0.390***	0.198*	
Internal Contextual Factors (Corporate Governance)							
Nnedb (neutral)	Extent	-0.0195	-0.123***	0.0112	0.213***	-0.050	Partial Support (H13b)
	Level	0.026	-0.096*	0.001	0.133**	-0.016	
	Quality	0.037	-0.104**	0.020	0.115*	-0.001	
Cmd (+ve)	Extent	0.126	0.042	0.135	-0.089	0.098	No Support (H13a)
	Level	0.093	0.053	0.172	-0.106	0.023	
	Quality	0.095	0.064	0.136	-0.095	0.080	
Nedac (neutral)	Extent	0.004	0.076	-0.061	-0.175	-0.080	No Support (H13c)
	Level	-0.072	0.038	-0.090	-0.238*	0.017	
	Quality	-0.081	0.049	-0.063	-0.191	-0.020	

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1 CSR: total CSR disclosure. ED: Environment disclosure. HRD: Human resource disclosure. PCD: Product and consumer disclosure. CID: Community involvement disclosure. DM: Disclosure measurement

### 7.3 Results and Theoretical Discussion

A preliminary remark to be made at the start of this section is that if the particular CSR disclosure measurement (e.g. extent or level or quality) is not mentioned, it should be assumed that the statements refer to all three measurement methods. The results of the multivariate pooled regression analysis on CSR disclosure and its dimensions are summarized in Table 7.9. The results are explained with the help of three theories: legitimacy theory, stakeholder theory, and institutional theory.

In general, social visibility (proxied by company size, company profitability, environmental sensitivity, consumer proximity, and multinational subsidiary) has positively influenced CSR disclosure. Company size has a significant positive relationship with CSR disclosure (extent and quality), products and consumer disclosure (level and quality), and community involvement disclosure. This result is consistent with the findings of studies conducted in both the developed (see Patten, 1991; Gray et al., 1995; Cormier et al., 2005; Bouten et al., 2011) and developing countries (Singh & Ahuja, 1983; Amran & Devi, 2008; Branco & Rodrigues, 2008; Mahadeo et al., 2011; Chiu & Wang, 2014). This result suggests that large companies with a high social visibility in Pakistan appear to support the CSR issues in general, and the community involvement and the products and consumers issues in particular, in order to manage social expectations and/or to build reputation (legitimacy theory). This can be better understood by looking into Pakistani context, where 22% of the population are living below the poverty line and deprived of basic facilities i.e. education, health, and shelter. Some companies were found to be involved in providing unsafe and substandard products to consumers in Pakistan (see Chapter 2). These facts reflect the substantial need for health care, educational,

other facilities (i.e. food and infrastructure), and provision of safe and healthy products in Pakistan and can be regarded as the society's expectations. Furthermore, the SECP a regulatory body has introduced a CSR Order in 2009 which requires listed companies to report CSR related information in the annual reports. This order pays more attention (in terms of the number of items to be reported as CSR) to community related activities. It can be argued that large companies in Pakistan have favoured CSR activities in general and community and products and consumer related activities in particular in order to manage these social expectations to maintain their legitimate status (legitimacy theory) or to respond to a powerful stakeholder's (i.e. the SECP) demand (stakeholder theory). Hence, the evidence provides partial support for the hypothesis H1 because company size was not found to be significantly related to the environmental and the human resource disclosure.

Company profitability has a significant positive relationship with overall CSR disclosure and its dimensions: environment, human resource, and community involvement. This result is consistent with the results of earlier studies conducted in both the developed (Roberts, 1992; Cormier & Magnan, 1999; Cormier et al., 2005) and developing countries (see Singh & Ahuja, 1983; Haniffa & Cooke, 2005; Tagesson et al., 2009; Khan, 2010). This result suggests that financially visible (i.e. highly profitable) companies in Pakistan appear to favour the CSR issues in general and the environment, the human resource, and the community related issues in particular to respond to the public expectations that profits are not to be earned by exploiting the environment and/or human resources (legitimacy theory). Moreover, it is possible that the companies might have disclosed information in order to manage their powerful stakeholders i.e. employees and/or environmentalists (stakeholder



theory). Hence the researcher can find partial support for the hypothesis H<sub>2</sub> i.e. company financial visibility has led to an increase in CSR disclosure and its three dimensions: environment, human resource and community involvement disclosure but not in terms of the products and consumer disclosure.

In line with the above two proxies of social visibility, environmental sensitivity has a significant positive relationship with environmental disclosure, human resource disclosure (level) and overall CSR disclosure (level). This result is also consistent with the studies conducted in the developed (Patten, 1991; Adams et al., 1998; Cormier et al., 2005; Tagesson et al., 2009) and developing countries (Singh & Ahuja, 1983; Tsang, 1998; Amran & Devi, 2008; Branco & Rodrigues, 2008; Kansal et al., 2014). This result suggests that environmentally sensitive companies in Pakistan appear to give more attention to CSR issues in general and to the environment and human resource issues in particular. The motive underlying this pattern of disclosure may be to build an environmentally friendly image (legitimacy). It is expected that the companies might have disclosed information to manage powerful stakeholders (e.g. the government) to avoid future environment regulations/penalties (stakeholder theory). It is also possible that the companies may be trying to manage employees (a powerful stakeholder group) by giving more attention to their health and safety and training and development (stakeholder theory). Hence, the researcher found full support for the hypothesis H<sub>3</sub> i.e. environmentally sensitive companies tend to display greater environmental disclosure. Consumer proximity (a proxy of social visibility) has a significant positive relationship to the environmental and the community involvement disclosure (extent and level). This indicates that companies, which are closer to the consumers, appear to pay more attention to the environment and community related activities in order to

build a socially responsible image among the consumers. Thus the researcher found full support for the hypothesis (H<sub>4</sub>) i.e. consumer proximity has led to increase in the community involvement disclosure.

Multinational subsidiary status was also found to be significantly positively related with the overall CSR disclosure and its dimensions: human resource and products and consumer disclosure. This shows that multinational subsidiaries in Pakistan, as compared to the domestic companies, appear to pay more attention to CSR issues in general, and to the human resource and the products related activities in particular. As mentioned earlier that multinational companies are prone to multitude of pressures from home country regulations, host country regulations, international media, international NGOs and international customers (see Chapter 4). Due to the multitudes of pressures, subsidiaries of multinationals in Pakistan might have disclosed CSR information in general and about human resource and products and consumer related issues in particular in order to maintain their legitimate status in both the home and the host country. Hence the result provides only partial support for the hypothesis (H<sub>5</sub>) because multinational subsidiary status was not found to be significantly related to the environment and the community involvement disclosure. The lower level of attention of multinational subsidiaries to the environmental issues is unusual as CSR reporting agenda in developing country is also derived by parent companies of the subsidiaries (see Belal & Owen, 2007). The lower level of environmental disclosure can be attributed to the weak level of environmental concern among the public in Pakistan (see Chapter 2). It is also possible that these companies may not be operating in environmentally sensitive sectors and thus experience relatively little pressure for addressing environment related concerns.

Focusing on the general contextual factors, the results have shown that socio-economic and political factors and CSR promoting institutions have positive influence on the CSR disclosure in Pakistan. The results have shown a significant increase in the CSR disclosure (level, quality) and the community involvement disclosure in 2011. As mentioned above and related to the context of the study, the SECP (a regulatory body in Pakistan) has issued a CSR order, which requires listed companies to disclose their CSR information in the annual reports. This provides evidence that the companies might have disclosed information about the CSR issues in general and the community related issues in particular in Pakistan in order to manage their most powerful stakeholders i.e. the government (stakeholder theory). The same results, on the other hand, can also be explained through institutional theory, according to which government regulations are referred as hard rules (Campbell, 2007; Marquis et al., 2007) and can exert coercive pressure on the firms to adopt a particular structure/practice i.e. CSR reporting. Here, however, the researcher found only partial support for the hypothesis H6 as a significant increase in the environmental and the human resource disclosure was not observed.

The results showed a non-significant relationship between institutional ownership and CSR disclosure. This indicates that institutional shareholders in Pakistan are no more concerned about CSR issues than other investors. Hence the researcher could not find support for the hypothesis H<sub>7a</sub>. The results did show a significant negative relationship between foreign ownership in domestic companies and the products and consumers disclosure. This shows that product-related issues such as product quality and product safety are matters of less concern for foreign than for domestic owners in Pakistan. This is an unusual result and this might have occurred due to the small proportion of foreign ownership in domestic companies which makes them less

influential to management in making decisions to ensure the health and safety of products they offer. It is also possible that domestic companies with a large portion of foreign ownership may not be operating in the manufacturing sector where products safety and quality could be matters of great concerns. Hence, the results provide partial support for the hypothesis  $H_{7b}$  as foreign ownership in domestic companies was not found to be significantly related to CSR disclosure and its other dimensions. However, government ownership was found to be significantly positively related with the environmental (extent) and the human resource disclosure (level). This suggests that the companies with government ownership in Pakistan appear to support the environmental and the human resource disclosure. The government of Pakistan has introduced some laws for the companies to protect the environment and to ensure the health and safety of employees (see Chapter 2). It can be argued here that the companies with substantial government ownership might have disclosed environmental and human resource related information to signal that they are operating according to the laws to manage their relationship with their powerful stakeholders' i.e. the government (stakeholder theory). Hence, the results provide partial support for the hypothesis  $H_{7c}$  because government ownership was not found to be significantly related with the CSR disclosure and its other dimensions.

The creditors (proxied by the leverage ratio) have a significant positive relationship with the human resource and the community involvement disclosure (level). This result is consistent with the result found by Mahadeo et al. (2011a) and Roberts (1992). This result suggests that the financially riskier companies in Pakistan appear to support the human resource disclosure and the community involvement disclosure. A financially riskier company may be more inclined to cut costs (e.g. maintenance and health and safety protection) that may risk the health and safety

situation of a company. Further bankruptcy risks may raise concerns as to who will be responsible for the potential health and safety related accidents. This will lead to increased scrutiny from not only creditors and shareholders but also from regulators, unions and government agencies. In this respect, human resource and community involvement disclosure can be seen as an attempt to convey a message of normality or a socially responsible company to its relevant stakeholders including creditors (stakeholder theory). It is possible that a financially riskier company might have disclosed human resource and community related information to demonstrate that it takes into account societal imperatives (i.e. employees' health and safety and community development activities), as a good corporate citizen, despite of its high financial risk (legitimacy theory). Hence, the researcher can only find partial support for the hypothesis H8 because the leverage ratio was not found to be related with the CSR disclosure (extent) and its other dimensions.

The results have exhibited a significant positive relationship of membership of CSR forums and networks with the CSR disclosure and its dimensions: environment, human resource, products and consumers (extent), and community involvement (extent). This suggests that the companies with memberships of CSR forums and networks in Pakistan appear to favour four dimensions of CSR disclosure. It can be argued that the companies might have disclosed CSR information in general and human resource, products and consumers, community involvement, and environmental information in particular due to normative pressures from CSR forums and networks (e.g. CSR Pakistan, CSRCP, UNGC, and UNGC local network) in Pakistan, with which these corporations interact. The professional networks (e.g. CSR forums and networks) are considered to be one of the sources of normative pressures (Amran & Devi, 2008; DiMaggio & Powell, 1983) and the networks are

continuously promoting CSR related activities in Pakistan (see Chapter 2). It is also possible that mimetic isomorphism might have occurred, in which companies adopt practices (i.e. CSR reporting) learned from professional networks and peers in order to look similar to other firms operating in the same environment (DiMaggio & Powell, 1983). Hence the researcher found full support for the hypothesis H9 because membership of CSR forums and networks was found to be significantly related with the CSR disclosure and its dimensions.

The results illustrate a significant positive relationship of membership of NGOs with the CSR disclosure and its dimensions: environment, community involvement, human resource (extent and level), and products and consumers (level and quality). This suggests that the companies with membership of NGOs (particularly WWF) in Pakistan appear to support all dimensions of CSR disclosure. It can be argued that the companies might have disclosed the information due to normative pressures from NGOs to get the normative status (or to gain moral legitimacy) by meeting the prevailing normative standards (e.g. protecting the species and the natural environment, and donations) (DiMaggio & Powell, 1983). Thus the evidence fully supports the hypothesis H10a i.e. companies with memberships of NGOs (i.e. WWF) have led to an increase in the CSR disclosure and the environmental disclosure.

Table 7.9 provides evidence of a significant positive relationship of companies having CSR standards (SA8000, OHSAS18000) with the overall CSR disclosure and its dimensions: human resource, environment (level), products and consumers (extent) and community involvement (level). This suggests that the companies with CSR standards (particularly SA8000, OHSAS18000) in Pakistan appear to favour human resource, products, environment, and community related activities. Table 7.9 also displays a significant positive relationship of companies having CSR standards

(particularly ISO14000/ISO9000) with the CSR disclosure (quality) and its dimensions: environment, human resource (extent), products and consumers (extent and quality), and community involvement (level, quality). This suggests that companies with CSR standards (particularly ISO14000 and ISO9000) in Pakistan appear to give attention to all the dimensions of CSR. It is quite possible that the companies might have disclosed CSR related information to gain the normative status in the society or due to the pressures from the normative institutions i.e. CSR standard setting institution (institutional theory). Hence the researcher found full support for the hypothesis H11a i.e. companies with CSR standards display an increase in CSR disclosure. The evidence provides full support for the hypothesis H11b i.e. companies having adopted CSR standards (particularly SA8000, OHSAS18000) display an increase in human resource disclosure. The evidence also provides full support for the hypothesis H11c i.e. companies with CSR standards (particularly ISO14000/9000) have led to increase in environmental disclosure.

Turning to the internal contextual factors, the results have revealed that corporate governance is a weak determinant of the CSR disclosure. Table 7.9 exhibits a significant negative relationship of non-executive directors on the board with the environmental disclosure and a significant positive relationship with the products and consumer disclosure (extent). This suggests that the environmental disclosure issue is less a matter of concern for non-executive directors than for insiders on the board in Pakistan. One of the reasons for this result could be a lack of awareness of non-executive directors on board about environment related issues as is the case in another developing country i.e. Malaysia. Haniffa and Cooke (2002) have stated that the lack of experience and knowledge and indifference to societal issues are reasons for the negative relationship between non-executive directors on the board and the

CSR disclosure in Malaysia. The negative relationship between non-executive directors on the board and environmental disclosure could be better understood by taking into account the purpose of a code of corporate governance introduced by the SECP in 2002. The purpose of this code is to protect the interests of minority shareholders rather than to protect the interests of a broad range of stakeholders (e.g. local community, employees and society etc.) in Pakistan. In this code, the existence of non-executives directors on board is considered as a mechanism to protect the interests of minority shareholders. The result achieved thus suggests, consistent with the objectives of the code of corporate governance, that non-executive directors are less concerned about the issues of broad stakeholders' concerns (i.e. to protect environment) and appear to give more attention to shareholders concerns (i.e. the products and consumer related issues). Hence, the results revealed only partial support for the hypothesis H<sub>13b</sub> because non-executive directors on the board were not found to be related to the human resource, the community involvement, and the overall CSR disclosure. In addition to the above, the possession of multiple directorships by the company chairman has a non-significant relationship with the CSR disclosure and its dimensions. Thus the evidence does not provide support for the hypothesis (H<sub>13a</sub>). One of the reasons for this result could be a lack of awareness of the chairman on the board about CSR related issues. It is also possible that the chairman may not be experiencing any pressures from stakeholders regarding the disclosure of CSR information. However, the presence of non-executive directors in the audit committee has a significant negative relationship with the products and consumers disclosure (level). This suggests that products and consumers related matters are considered to be less important by non-executive directors in audit committees in Pakistan than by



executive directors. This result can be better understood by understanding the purpose of an audit committee. The Job of an audit committee is to oversee companies' financial reporting process and to ensure that companies are complying with the international reporting standards, rather than to look into the reporting of non-financial types of disclosures. This provides justification for the negative relationship between non-executive directors in the audit committee and the products and consumer disclosure. Thus the results provide partial support for the hypothesis (H<sub>13c</sub>). Considering all the proxies included in this study, corporate governance appears to be a less influential factor in explaining CSR disclosure in Pakistan.

## 7.4 Chapter Summary

The consideration of the above discussion shows that company social visibility and the CSR promoting institutions (i.e. CSR Pakistan, CSRCP, WWF, UNGC, CSR standard setting institutions) are the major determinants of the CSR disclosure in Pakistan, while corporate governance (an internal contextual factor) and financial stakeholders (a general contextual factor) are weak determinants of CSR disclosure. In addition to this, the quantity and quality of CSR disclosure in general and community involvement disclosure in particular has increased over the period of time (2008-2011). These findings are best explained by institutional theory followed by legitimacy theory and stakeholder theory. Moreover, the researcher found it difficult to explain the results with the help of a single theory. Thus the consideration of three theories has enriched our understanding of CSR disclosure.

## **8. CHAPTER: FACTORS INFLUENCING OR CREATING HURDLES FOR THE DISCLOSURE OF CSR INFORMATION IN ANNUAL REPORTS**

### **8.0 Introduction**

This chapter serves two purposes. The first is to examine non observable factors influencing CSR disclosure in annual reports and the second is to examine factors considered hurdles for the disclosure of CSR information in the annual reports. This chapter is organized as follows. The first section describes the sample and discusses the data preparation. The second section discusses top executives' perceptions about corporate social responsibility and their attitude towards CSR disclosure. The third section discusses the level of importance attached to factors by the top executives in their CSR disclosure decisions and the influence of these factors on the actual CSR disclosure in the annual reports. The fourth section covers reasons for the non-disclosure of CSR information in the annual reports. The fifth section discusses the results and draws conclusions. The final section summarizes this chapter.

### **8.1 Sample Description and Data Preparation**

#### **8.1.1 Sample Description**

The survey involved a sample of 120 companies listed at KSE, selected for the content analysis discussed in the previous chapters. The sample includes both financial and non-financial firms. After the selection of the sample, the researcher

searched for the companies' email and postal addresses and sent them the research questionnaire. However, the researcher was unable to find a contact point for some of the organizations and was unable to deliver 11 questionnaires. Therefore only 109 questionnaires were actually sent out. In the early stages of the data collection process, the researcher received a small number of responses (approximately 20). For those who did not respond, a follow up phone call was made and up to eight email (using personal and company email addresses) reminders were sent to the respondents who did not complete the questionnaire. As a result of this procedure, the researcher managed to achieve a response rate of 52.29%, which is considered to be a high response rate<sup>82</sup>.

**Table 8.1: The Sample's Description**

<b>Sector</b>	<b>Frequency</b>	<b>Percent</b>
Manufacturing Sector	26	45.6
Financial and Insurance Activities	22	38.6
Electricity, Gas, Steam, and Air Conditioning supply	5	8.8
Transportation and Storage	3	5.3
Information and Communication	1	1.8
Total	57	100

**Table 8.2: The Respondents' Position in the company**

<b>Person/Officials</b>	<b>Frequency</b>	<b>Percent</b>
CEO/Managing Director/Director	8	14.8
Chief Financial Officer (CFO)	30	55.6
Senior Vice President/ SVP Corp Services & New Ventures	2	3.8
Deputy Chief (CSR)/ Associate Director Corporate Communications/Manager Coordination to CFO/Company secretary	4	7.4
Account Officer/Manager Account/Financial Controller/ GM Credit and Risk/ Manager Finance and Taxation /Assistant Manager Tax & Legal	10	18.5
Total	54	100

<sup>82</sup> According to Saunders et al., (2007), a 30% response rate is considered a reasonable rate for both the internet mediated and postal questionnaires. According to Saunders et al. (2007) the response rate can be calculated as: Response Rate = Total number of responses/(Total number in the sample – ineligible – unreachable)

Three of the questionnaires received were found to be incomplete or to display little variation in the responses and so the researcher decided not to use these responses during the analysis process. Thus the usable response rate was 50.91% (54/106). Of the respondents who filled the questionnaire 94% were male, 51% were below 41 years old, 78% held top positions in the company (for details see Table 8.2), 35% attended the CSR or CSR reporting related training programs, 61% had more than 6 years of experience in their current organization, and 41% worked in more than two organizations. Of the companies which responded to the questionnaire, 46% and 39% of them belong to manufacturing and financial and insurance sector respectively (for details see Table 8.1).

### 8.1.2 Data Preparation

During the data preparation process, the researcher identified 5 problematic questionnaires. Three of them were partially filled, one was filled with little variation, and one was filled by an irrelevant person (HR Manager<sup>83</sup>). Later, the researcher requested the respondents of the partially filled questionnaires to answer the remaining questions. Two of them answered the remaining questions and sent back the questionnaire. However, one person did not respond to the email. Later, the researcher decided not to include the three questionnaires (the partially filled questionnaire, the questionnaire with little variation, and the questionnaire filled by an irrelevant person) in the data analysis process. In addition to this, the researcher found 32 missing (out of 3942 observations) values in the data set. According to Malhotra (2010), the treatment of missing values poses a problem when more than

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<sup>83</sup> The data analysis also showed that human resource managers are not the important person/official in the decision to disclose CSR information in the annual reports.

10% of the responses are missing. In this case the missing observations are 0.8% (32/3942 observation), which is considerably lower than the recommended percentage (see Malhotra 2010). The researcher replaced the missing values with the mean value of the relevant variable. The advantage of replacing the missing values with the mean of the variable is that it does not affect the overall mean of that variable and, furthermore, other statistics e.g. correlations are not affected much (Malhotra, 2010). The detail of the treatment of the missing values is given in Table 8.3.

**Table 8.3: Number of missing values and their treatment**

Question number	Item number	Number of missing values	Mean of the variable	Total missing values
Q.1	Item 4	1	4.55	2
	Item 5	1	4.57	
Q.3	Item 1	1	3.45	1
Q.4	Item 4	1	3.30	8
	Item 5	2	3.89	
	Item 8	1	2.57	
	Item 11	1	3.81	
	Item 12	2	3.37	
	Item 13	1	3.62	
Q.5	Item 2	1	3.81	5
	Item 3	1	3.87	
	Item 5	1	3.57	
	Item 7	1	3.53	
	Item 15	1	4.00	
Q.6	Item 8	2	3.98	16
	Item 9	1	3.89	
	Item 10	2	3.76	
	Item 11	2	3.55	
	Item 13	1	3.19	
	Item 14	2	2.33	
	Item 15	2	2.87	
	Item 16	4	2.74	
<b>Total Missing Values</b>				<b>32</b>

For the detail of the question number and item see the questionnaire in the appendix 9

## 8.2 Managers' Perception about Corporate Social Responsibility and Their Attitude towards CSR Disclosure

### 8.2.1 Managers' Perception about Corporate Social Responsibility

In this section, the researcher focused on managers' perception about socially responsible behaviour and particularly what they believe to be the most socially responsible behaviours. To explore perceptions about socially responsible behaviour, the researcher included a list of statements adopted from Zu and Song (2009) in the questionnaire. The top executives were required to choose the most appropriate point on the 5-point scale ranging from strongly disagree to strongly agree against each statement. These statements (see Table 8.4) were targeted to explore how the top executives interpret CSR. Table 8.4 shows that the top executives consider the interest of a broad range of stakeholders, such as the employees, the natural environment, the local community, business partners, the government, customers, and shareholders. The results showed that the respondents gave the most importance to the provision of a healthy and safe working environment (mean = 4.58, SD = .738), the improvement of environmental quality and pollution control (mean<sup>84</sup> = 4.57, SD = .687), participation in the community development activities (mean = 4.50, SD = .666), treatment of business partners with integrity (mean = 4.48, SD = .906), and compliance with the state laws (mean = 4.44, SD = .904). The results also showed that the top executives attributed substantial importance to the provision of quality products (mean = 4.35, SD = 1.102), the creation of value for the owners (mean = 4.33, SD = .952), and payment of taxes

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<sup>84</sup> The mean is a robust measure of central tendency and it incorporates all values of a variable and it is the most appropriate for interval and ratio level data and data not containing extreme values (Malhotra, 2010).

(mean = 4.24, SD = 1.115). This indicates that the managers still consider the traditional aspects of social responsibility i.e. occupational health and safety, creation of value for shareholders and complying with state laws in interpreting CSR to be important. The result (i.e. attaching greatest importance to the provision of healthy and safe working environment) found in Table 8.4 is consistent with the study conducted in Pakistan by Ahmad (2006), where health and safety of employees and their well-being aspect of corporate social responsibility were considered very important by the respondents.

**Table 8.4: Top executives' perception about corporate social responsibility**

Statements	Min	Max	Mean	Std. Deviation
1. Provision of a healthy and safe working environment (Employees)	2	5	4.58	.738
2. Improving environmental quality and pollution control (Environment)	2	5	4.57	.687
3. Actively participating in community development activities (Community)	2	5	4.50	.666
4. Doing business with its partners with integrity (Business Partners)	2	5	4.48	.906
5. Complying with state laws (Government Laws)	1	5	4.44	.904
6. Provision of quality products and services for customers (Customers)	1	5	4.35	1.012
7. Creating value for company shareholders (Shareholders)	1	5	4.33	.952
8. Paying taxes (Government)	1	5	4.24	1.115

N= 54; 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly Agree

To determine whether there was a statistically significant difference between the mean scores of CSR perception items (representing different aspects of CSR), a repeated measure ANOVA was used<sup>85</sup>. The results show that there is not a significant difference between mean scores of these statements ( $F_{(4.247, 225.117)} = 2.086$ ,  $p\text{-value} = 0.079$ ,  $\text{partial } \eta^2 = 0.038$ ). This indicates that managers give equal

<sup>85</sup> A repeated measure of ANOVA assumes 1) that the variables should be normally distributed and 2) that the variance of the differences between all pairs should be equal (Coakes et al., 2006; Laerd Statistics, 2013). The data for each item score was not found to be normally distributed, as assessed by Kalmogrov-Simirnov test ( $p\text{-value} < .0005$ ). A repeated ANOVA test is a robust to departure from normality (Laerd Statistic, 2013) so the results derived from ANOVA will still be valid. The assumption of Sphericity (i.e. variances of the differences between all pairs are equal) was violated, as assessed by Mauchly's test of Shpericity ( $\chi^2_{(27)} = 115.127$ ,  $p\text{-value} = .000$ ). Therefore a Greenhouse-Geisser correction was applied ( $\epsilon = 0.607$ ). Greenhouse-Geisser correction is usually applied when  $\epsilon$  value is less than 0.75 and Huynh-Feldt correction is applied when  $\epsilon$  value is greater than 0.75 (See Laerd Statistic, 2013).

importance to all the statements in the interpretation/understanding of corporate social responsibility.

## **8.2.2 Managers' Attitude towards Corporate Social Responsibility (CSR)**

### **Disclosure**

Table 8.5 shows the minimum, maximum, average score and standard deviation of each statement (1-4) included to measure top executives' attitudes towards corporate social responsibility (CSR) disclosure. The result shows that the average score (i.e. mean) of each statement is greater than the scale average i.e. 3 (see the penultimate column of Table 8.5). This indicates that the respondents believe that companies' disclosure of CSR information will result in improvement in the company image (mean = 4.41, SD = 0.599) and CSR disclosure practice will become a general practice in the near future (mean = 4.15; 0.684). They also think that the different stakeholders (e.g. employees, government, customers, and local communities) have a right to CSR information (mean = 4.09, SD = 0.784) and it is a managers' responsibility to disclose CSR information (mean = 3.96; SD = 0.910). The result also shows that overall attitudes towards CSR disclosure is positive (mean = 4.15; SD = 0.565) and significantly different from the scale average i.e. 3 ( $t = 14.99$ ;  $p\text{-value} = 0.000$ )<sup>86</sup>.

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<sup>86</sup> To check whether the average score of overall attitude towards disclosure is significantly different from the scale average i.e. 3, a parametric one-sample t-test was used. Although the normality of a variable is assumed for a T-test, it is quite a robust test to a departure from normality (Malhotra, 2010). Overall the average score for attitude is a scale variable and follows the normal distribution because its skewness value (-0.115) is close to zero and Kolmogorov-Smirnov non-normality test with lilliefors is not significant (Kolmogorov-Smirnov test value = 0.105,  $p\text{-value} = 0.200$ ) (Malhotra, 2010; Kennedy, 2008).



**Table 8.5: Top executives attitude towards CSR disclosure**

Statement	Minimum	Maximum	Mean	SD
1. The company will have a better image if it discloses CSR related information	3	5	4.41	.599
2. Disclosure of CSR information by companies will become general practice in near future	3	5	4.15	.684
3. Stakeholders (e.g. employees, government, customers, local communities) have a right to CSR information	2	5	4.09	.784
4. Managers have a responsibility for CSR information disclosure	1	5	3.96	.910
<b>Overall attitude towards disclosure</b>	<b>3</b>	<b>5</b>	<b>4.15</b>	<b>.565</b>

N= 54; SD= Std. Deviation; Each statement was asked on the scale 1-5 where 1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Agree, 5= Strongly Agree

In addition to top executives' overall attitude towards CSR disclosure, the researcher examined the difference in attitudes towards CSR disclosure with respect to different characteristics (e.g. age, CSR education/training, number of organizations worked for, and gender) of the respondents. According to Malhotra (2010) data collected through a rating scale can be treated as interval level data. All of the characteristics (e.g. age, CSR education/training, number of organizations worked for, and gender) are nominal variables and each variable has two groups. It is recommended to use independent sample t-test when a researcher wants to determine the difference in interval/ratio variable with respect to two groups OR when a researcher wants to determine the difference between two variables/groups. This test assumes normality (Laerd Statistics, 2013; Malhotra, 2010). To check the normality of each variable, the researcher developed probability plots and calculated Kolmogorov-Smirnov with Lilliefors statistic (see Table 8.6), which showed that a few variables were not normality distributed. The T-test is considered to be test that is robust to normality (Laerd Statistic, 2013). This means that a variable's departure from normality will not significantly influence its results. However, it is recommended to use Mann-Whitney U independent sample test to determine the difference between the two independent groups, when the variables violate the assumption of normality. Considering the

robustness of t-test and different authors' recommendations (Sheskin, 1997; Laerd Statistics, 2013), the researcher chose to use both types of tests to determine the difference between the groups (see Table 8.7).

**Table 8.6: Test for normality**

<b>Variables</b>	<b>K-S test</b>	<b>df</b>	<b>P-value</b>	<b>Status</b>
<b>Type of Firm</b>				
Financial Firms	0.157	22	0.167	App. Normal
Manufacturing and Extracting Firms	0.134	30	0.176	App. Normal
<b>Respondent's Age</b>				
Less than and equal to 40 Years	0.169	28	0.038	Non- Normal
Above 40 Years	0.098	26	0.200	App. Normal
<b>Have you attended a training program regarding Corporate Social Responsibility (CSR) or CSR Reporting?</b>				
Yes	0.149	19	0.200	App. Normal
No	0.114	13	0.200	App. Normal
<b>Number of other organizations worked for before joining this organization</b>				
Less than and equal to two organizations	0.181	31	0.011	Non-normal
More than two organizations	0.141	21	0.200	App. Normal
<b>Number of year worked in the current organization</b>				
Less than and equal to 6 years	0.240	19	0.005	Non-normal
More than 6 years	0.150	33	0.052	App. Normal
K-S = Kolmogorov-Smirnov with Lilliefors is a test to check whether the variable is normally distributed				

The result showed a significant difference in the overall attitude score between the respondents who are 40 years old or below and above 40 year old ( $t= 2.219$ ,  $p=.031$ ; Mann-Whitney  $U=251$ ,  $p= 0.048$ ). It also showed a significant difference in the overall attitude score between the respondents who received CSR/CSR reporting training and those who did not receive CSR/CSR reporting training ( $t = 2.34$ ,  $p=.024$ ; Mann-Whitney  $U= 202$ ,  $p= 0.032$ ). This indicates that to be young and having had CSR/CSR reporting training positively influences managers' attitude towards CSR disclosure. In addition to this, the respondents representing manufacturing and extractive firms have a more positive attitude towards CSR disclosure than the respondents who belong to financial and service firms. Similarly, the respondents who worked less than 6 years in the current organization have a more positive attitude towards CSR disclosure than the respondents who worked more than six years in the current organization.

**Table 8.7: Difference in overall attitude score with respect to respondents' attributes**

Overall Attitude towards CSR disclosure	N	T- Test for independent samples (Parametric test)			Mann-Whitney U Test for independent samples (Non-parametric test)	
		Mean (SD)	LT statistic (P-value)	F T-test (P-value)	Mean Rank	Mann-Whitney U (P-value)
<b>Type of Firm</b>						
Financial and service Firms	23	4.04 (.557)	.812 (.372)	-1.233 (0.224)	24.87	296 (0.285)
Manufacturing and Extracting Firms	31	4.23 (.566)	UEV		29.45	
<b>Respondent's Age</b>						
Less than and equal to 40 Years	28	4.31 (.494)	.727 (.398)	2.219 (.031)	31.54	251 (0.048)
Above 40 Years	26	3.98 (.596)	UEV		23.15	
<b>Have you attended a training program regarding Corporate Social Responsibility (CSR) or CSR Reporting?</b>						
Yes	19	4.36 (.509)	.021 (.885)	2.34 (.024)	32.37	202 (0.032)
No	33	4.00 (.556)	UEV		23.12	
<b>Number of other organizations worked for before joining this organization</b>						
Less than and equal to two organizations	32	4.21 (.440)	11.68 (.001)	.911 EV (.367)	28.81	310. (0.455)
More than two organizations	22	4.07 (.712)			25.59	
<b>Number of year worked in the current organization</b>						
Less than and equal to 6 years	21	4.35 (.605)	2.86 (.097)	1.98 (0.055)	32.50	241.5 (0.060)
More than 6 years	33	4.03 (.511)	UEV		24.32	
EV = Equal Variance assumed; UEV = Equal variance are not assumed; SD = Standard Deviation; LT = Levene's Test for Equality of Variances						

## 8.3 Importance Attached to Factors in the CSR Disclosure

### Decision and Their Influence on the Actual CSR Disclosure

#### 8.3.1 Importance attached to factors in the CSR disclosure decision

Before discussing the factors considered to be important in the CSR disclosure decision in the annual reports, the researcher focuses on persons/officials considered to be important in making general disclosure in the annual reports. Table 8.8 shows the minimum, maximum, mean score, and standard deviation of the importance attached to each person/official identified in making general disclosure in the annual reports. The result showed that the managing director (mean = 4.61, SD

= .627), chief financial officer/chief accountant/financial manager (mean = 4.46, SD = .719) and chairman of the board of directors (mean = 4.30, SD = .816) were considered to be very important, while other officials/persons, for example audit committee (mean = 3.96, SD = .910), external auditor (mean = 3.63, SD = .875), and public relations consultant (mean = 3.47, SD = .964) were considered to be among the least important in making general disclosure in the annual reports. This indicates that there are several officials, who are involved in making general disclosures in the annual reports but managing director, chief financial officer/chief account/financial manager, and chairman board of directors are the most influential people in deciding general disclosure in the annual reports.

**Table 8.8: Importance attached to persons/official in making general disclosure in the annual report**

<b>Persons/Officials</b>	<b>N</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>	<b>SD</b>
Managing Director	54	3	5	4.61	.627
Chief Financial Officer/Chief Accountant/Financial Manager	54	2	5	4.46	.719
Chairman of the Board of Directors	54	2	5	4.30	.816
Audit Committee	54	1	5	3.96	.910
External Auditor	54	2	5	3.63	.875
Public relations consultant	54	1	5	3.47	.964

Min = Minimum, Max = Maximum, SD = Std. Deviation, These person/official were rated on a 5-point scale where 1 = totally unimportant, 2 = unimportant, 3 = neutral, 4 = important, 5 = very important

**Table 8.9 Importance attached to stakeholders' concerns in CSR disclosure decision**

<b>Items</b>	<b>N</b>	<b>Min</b>	<b>Max</b>	<b>Mean</b>	<b>SD</b>	<b>T-test</b>	<b>p-value</b>
Chairman concerns	54	3	5	4.15	.627	13.463	.000
Regulatory institutions' concerns	54	2	5	4.07	.866	9.119	.000
Shareholders' concerns	54	2	5	4.06	.878	8.837	.000
Non-executive directors concerns	54	3	5	4.00	.614	11.962	.000
Customers' concerns	54	1	5	3.91	.937	7.098	.000
Employees' concerns	54	2	5	3.87	.891	7.177	.000
Financial institutions' concerns	54	2	5	3.81	.848	7.030	.000
Standard setting institutions (e.g. ISO) concerns	54	2	5	3.76	.823	6.782	.000
Media attention to social and environmental issues	54	1	5	3.65	.756	6.298	.000
CSR promoting institutions' (e.g. CSR Pakistan, Corporate Social Responsibility Centre Pakistan) concerns	54	1	5	3.61	.940	4.777	.000
Suppliers' concerns	54	1	5	3.58	.960	4.474	.000
Competitors' response to CSR issues	54	1	5	3.54	.818	4.827	.000
Educational institutions' concerns	54	1	5	3.51	.882	4.247	.000
NGOs (e.g. WWF, ILO)' concerns	54	1	5	3.50	.906	4.056	.000
Other companies' response to CSR issues	54	2	5	3.39	.763	3.747	.000

Min = Minimum, Max = Maximum; SD = Std. Deviation; each item was measured on a rating scale where: 1= totally unimportant, 2 = unimportant, 3= neutral, 4 = important, 5 = very important

Table 8.9 shows the minimum, maximum, average score and standard deviation of the importance attached to different stakeholders' concerns by the top executives in the decision to disclose CSR information in the annual report. The results revealed that respondents considered a range of stakeholders' concerns to be important in the CSR disclosure decision. To examine whether the importance attached to each stakeholders' concern is significantly above or below the neutral score i.e. 3, the researcher conducted one sample t-test<sup>87</sup>, which showed that the importance attached to a range of stakeholders is significantly above the neutral score i.e. 3 (see last two columns of Table 8.9). According to the results, the respondents gave the most importance to Chairman (mean = 4.15; SD=.627), regulatory institutions (mean = 4.07; SD = .866), shareholders (mean = 4.06; SD = .878), and non-executives' concerns (mean = 4.00; SD = 0.614) in the CSR disclosure decision. In addition to this, other stakeholders e.g. customers (mean =3.91 ; SD = .937), employees (mean = 3.87; SD = .891), financial institutions (mean = 3.81; SD = .848), standard setting institutions (mean = 3.76; SD = .823), media (mean = 3.65; SD = .756), CSR promoting institutions (mean = 3.61; SD = .940), suppliers (mean = 3.58; SD = .960), competitors (mean = 3.54; SD = .818), educational institutions (mean = 3.51; SD = .882), NGOs (mean = 3.50; SD = .906), and other companies' concerns (mean = 3.39; SD = .763) were considered as comparatively less important, based on the mean score, in their CSR disclosure decisions. To determine whether there was a statistically significant difference between the mean scores of the level of importance

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87 One sample t-test assumes that the variable under study should not contain outliers (Malholtra, 2010; Lared Statistic, 2013) and should be normally distributed (Lared Statistic, 2013; Sheskin, 1997). The researcher checked for the normality of each variable by developing box plots and Kolmogrov-Simirnov test (suitable for a sample greater than 50 observations) (Lared Statistic, 2013). The results did not find any outliers' in the data however and the Kolmogrov-Simirnov test showed that variables are not normally distributed. One of the strength of T-test is that it is robust test to departure from normality (Lared Statistic, 2013)

attached to each stakeholder's concern in the CSR disclosure decision, a repeated measure ANOVA was used. ANOVA has two assumptions: normality and quality of variances. The data for each item score was not found to be normally distributed, as assessed by Kalmogrov-Simironov test ( $p$ -value  $< .0005$ ). A repeated ANOVA test is robust to a departure from normality (Laerd Statistic, 2013) so the results derived from ANOVA will still be valid. The assumption of Sphericity (i.e. variances of the differences between all pairs are equal) was found to be violated, as assessed by Mauchly's test of Shpericity ( $\chi^2_{(104)} = 291.240$ ,  $p$ -value = .000). Therefore a Greenhouse-Geisser correction was applied ( $\epsilon = 0.521$ )<sup>88</sup>. The result showed that at least one of the mean scores of the level of importance attached to a stakeholder is significantly different from other means ( $F_{(43.910, 346.198)} = 6.722$ ,  $p$ -value = 0.000, partial  $\eta^2 = 0.113$ ). The results showed that the first four factors (i.e. Chairman's concerns, regulatory institutions' concerns, shareholders' concerns, and non-executive directors concerns) are significantly different from the last four factors (i.e. competitors' response to CSR issues, educational institutions' concerns, NGOs (e.g. WWF, ILO)' concerns, and other companies' response to CSR issues), which are presented in the Table 8.9.

In addition to the above, the researcher asked for specific factors considered important by the management in deciding CSR disclosure (see Table 8.10). The most important factors is "to build a company image" (mean = 4.37; SD = .681). This result is slightly different from the result of the survey of the managers (among others) from major UK industries where the managers gave the most importance to 'acknowledging their social responsibility towards environmental disclosure' followed

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<sup>88</sup> Greenhouse-Geisser correction is applied when  $\epsilon$  value is less than 0.75 and Huynh-Feldt correction is applied when  $\epsilon$  value is greater than 0.75 (See Laerd Statistic, 2013).

by 'to improve the company's image' factor in disclosing environment-related information (see Solomon & Lewis, 2002). Similarly the survey of CFOs from Australian companies showed that the respondents gave the most importance to 'providing a true and fair view of operations' in disclosing environment related information (see Wilmshurst & Frost, 2000). Thus the managers from UK and Australian companies are mainly motivated by the accountability perspective when disclosing the environment related information. The result also showed that the respondents attached the comparatively less importance to the following factors: "to improve employees' morale" (mean = 3.94 ; SD = .787), "to comply with the industry norms and standards" (mean = 3.94; SD = .763 ), "to provide 'true and fair' view of a firm's operations" (mean = 3.94; SD = .920), "to satisfy ethical investors" (mean = 3.93; SD = .908), "to comply with state laws" (mean = 3.77; SD = 1.058), "to satisfy customers" (mean = 3.68; SD = .927), "to avoid litigation" (mean = 3.38 ; SD = 1.137), "to avoid enactment of future/new legislations" (mean = 3.38; SD = .974), and "to reflect complying with religious beliefs" (mean = 3.35; SD = 1.135) in their decisions to disclose CSR information in the annual reports (see Table 8.10). On the other hand the factor "to reduce equity cost" (mean = 2.68; SD = 1.129) is considered unimportant by the respondents in the decision to disclose CSR information (see Table 8.10). In order to determine whether there was a statistically significant difference between the mean scores of the level of importance attached to each factor in the decision to disclose CSR information, a repeated measure ANOVA was used. ANOVA has two assumptions: normality and quality of variances. The data for each item's score was not found to be normally distributed, as assessed by Kalmogrov-Simirnov test (p-value <.0005). A repeated ANOVA test is robust to a departure from normality (Laerd Statistic, 2013) so the results derived from ANOVA

will still be valid. The assumption of Sphericity (i.e. variances of the differences between all pairs are equal) was found to be violated, as assessed by Mauchly's test of Sphericity ( $\chi^2_{(135)} = 361.384$ ,  $p\text{-value} = .000$ ). Therefore a Greenhouse-Geisser correction was applied ( $\epsilon = 0.530$ ). The result showed that at least one of the mean scores of the level of importance attached to a factor is significantly different from other means ( $F_{(8.488, 449.852)} = 24.286$ ,  $p\text{-value} = 0.000$ , partial  $\eta^2 = 0.314$ ). The results showed that the first seven factors are significantly different from the last five factors presented in the Table 8.10.

The results in Table 8.10 are consistent with the results found in Table 8.9. It was found that the respondents gave importance "to comply with state laws", "to avoid litigation", and "to avoid enactment of future/new legislations" in the CSR disclosure decision. This result is consistent with the result that managers consider regulatory institutions' concerns very important when disclosing CSR information. In addition to this, respondents considered satisfying ethical investors and providing a 'true and fair' view of the firm's operations as important while disclosing CSR information. This result is also consistent with the previous result where shareholders' and institutional investors' concerns were considered to be important in the CSR disclosure decision. Similarly to consider improving employees' morale, satisfying customers and complying with the industry norms and standards (i.e. industry code of conduct) as important in disclosing CSR information is consistent with employees, customers, and competitors' concerns respectively considered important by the respondents in the decision to disclose CSR information. Likewise to give importance "to build company image" and "to reflect complying with religious believes" factors in reporting of CSR information in the annual report is consistent with the consideration of



chairmen and non-executives directors' concerns as important in the disclosure of CSR information.

**Table 8.10 Importance attached to specific factors in the CSR disclosure decision**

Items	N	Min	Max	Mean	SD	t-test	P-value
To build company image	54	3	5	4.37	.681	14.783	.000
To improve employees' morale	54	2	5	3.94	.787	8.780	.000
To comply with the industry norms and standards (i.e. industry code of conduct)	54	2	5	3.94	.763	9.099	.000
To provide 'true and fair' view of firm's operations	54	2	5	3.94	.920	7.546	.000
To satisfy ethical investors	54	2	5	3.93	.908	7.493	.000
To comply with state laws	54	1	5	3.77	1.058	5.380	.000
To satisfy customers	54	1	5	3.68	.927	5.375	.000
To avoid litigation	54	1	5	3.38	1.137	2.431	.018
To avoid enactment of future/new legislations	54	1	5	3.38	.974	2.897	.005
To reflect complying with religious believes	54	1	5	3.35	1.135	2.277	.027
To attract institutional investors	54	1	5	3.09	1.086	.626	.534
To get government support	54	1	5	3.09	1.120	.607	.546
To avail tax benefits	54	1	5	3.00	1.166	.000	1.000
To obtain funds from variety of sources	54	1	5	2.81	1.275	-1.067	.291
To increase the share price	54	1	5	2.76	1.098	-1.612	.113
To reduce equity cost	54	1	5	2.68	1.129	-2.101	.040

Min = Minimum, Max = Maximum; SD = Std. Deviation; each item was measured on a rating scale where: 1= totally unimportant, 2 = unimportant, 3= neutral, 4 = important, 5 = very important

The results shown above indicate that managers weigh stakeholders' concerns differently when deciding on the disclosure of CSR information. This result is consistent with a study conducted in a developed country (i.e. Australia) where a survey of 62 CFOs from environmentally sensitive sectors showed that CFOs gave varying levels of importance to different stakeholders in the environmental disclosure decision (Wilmskrust & Frost, 2002). The identified importance attached to different stakeholders' concerns does not essentially correspond to actual CSR disclosure in the annual report. Managers' actual response to these stakeholders' concerns may be driven by the ability of each stakeholder to influence a company's wellbeing or by the extent to which management considers each stakeholder as important. However, based on the importance attached to each stakeholder' concerns, it is suggested that these factors may play a differentiating role in the decision to disclose CSR information in the annual report.

### 8.3.2 Level of importance attached to each factor and CSR disclosure (extent, breadth, and quality)

In this section, the researcher investigates whether the varying levels of importance attached to each factor by the top executives have explanatory power in determining the magnitude, breadth, and quality of actual CSR disclosure in the annual reports. To determine this, the researcher used the 'Forward' regression estimation<sup>89</sup> technique to fit the best regression model. Before interpreting the results, the researcher evaluated the regression analysis assumptions (i.e. normality, linearity, homoscedasticity, and multicollinearity see Hair et al., 2010; Laerd Statistic, 2013; Gujarati, 2004) for each regression model (CSR disclosure extent, CSR disclosure breadth, and CSR disclosure quality) by using the same procedures used in the Chapter 7 and the results did not exhibit problems of non-normality (see Appendix 15a; Appendix 16a; Appendix 17a), non-linearity (see Appendix 15b-g; Appendix 16b-f; Appendix 17b-f), and multicollinearity. Moreover, the residuals of all the regression models except the CSR disclosure quality showed the homoscedasticity of residuals (see Appendix 15b; Appendix 16b). To address the heteroscedasticity issue, the researcher used standard errors robust to heteroscedasticity in the regression analysis and these standards errors were accessed by using more sophisticated software (e.g. Stata).

All the of regression models are significant at less than 0.1% and have varying levels of explanatory power (adjusted  $R^2$ ) ranging from 50.10% to 55.40% (see Table 8.11;

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<sup>89</sup> The researcher used different estimation techniques (e.g. backward, forward, and stepwise) to fit the best regression models. Forward and stepwise regression estimation techniques produced same results, this might have happened due to small sample size. After comparing the results form backward and forward estimation techniques, the researcher preferred forward estimation technique because the results were found to be consistent with the previous literature.

Table 8.12; Table 8.13). Table 8.11 shows that five variables (or factors) significantly influence the magnitude of CSR disclosure. Among these variables 'large company size', 'to build company image', and 'environmentally sensitive firms' positively influenced the CSR disclosure while the remaining factors: 'to provide a true and fair view of the firm's operation' and 'to attract institutional factors' negatively influenced the magnitude of CSR disclosure (see Table 8.11).

**Table 8.11: Factors influencing magnitude of CSR Disclosure in the annual reports**

	<b>B</b>	<b>Std. Error</b>	<b>Beta</b>	<b>t</b>	<b>Sig.</b>	<b>Toleranc e</b>	<b>VIF</b>
Manufacturing and extractive firms	.605	.206	.323	2.937	.005	.842	1.188
LnAssets	.103	.050	.220	2.079	.043	.913	1.096
To build company image	.790	.166	.581	4.753	.000	.682	1.465
To provide 'true and fair' view of firm's operations	-.405	.123	-	-3.299	.002	.711	1.406
To attract institutional investors	-.273	.099	-	-2.743	.009	.748	1.337
(Constant)	-2.969	1.085	.320				
Adjusted R-squared	50.10%						
F statistic (p-value)	10.839 (.000)						
Observations	50						

Dependent Variable: Normal Score of CSR DQn using Van der Waerden's Formula

In addition to the above, Table 8.12 shows that environmentally sensitive firms and the intention to build company image positively influenced disclosure while the attraction of institutional investors and Chairman concerns are negatively associated with the breadth of actual CSR disclosure in the annual reports. Particularly focusing on factors which influence the quality of actual CSR disclosure in the annual reports, the results show that to be larger in size, an intention to build company image, and environmentally sensitive firms are positively associated with the quality of CSR disclosure, while an intention to satisfy customers is negatively associated with the quality of CSR disclosure (see Table 8.13).

**Table 8.12: Factors influencing the breadth of CSR disclosure in the annual reports**

	<b>B</b>	<b>Std. Error</b>	<b>Beta</b>	<b>t</b>	<b>Sig.</b>	<b>Tolerance</b>	<b>VIF</b>
Manufacturing and extractive firms	.125	.046	.295	2.708	.010	.797	1.255
To attract institutional investors	-.097	.022	-	-4.404	.000	.719	1.391
To build company image	.153	.034	.497	4.461	.000	.760	1.315
Chairman concerns	-.134	.038	-	-3.545	.001	.817	1.224
(Constant)	.406	.185	.381				
Adjusted R-squared	53.70%						
F statistic (p-value)	15.227 (.000)						
Observations	50						

**Table 8.13: Factors influencing quality of CSR disclosure**

	<b>B</b>	<b>Std. Error*</b>	<b>t</b>	<b>Sig.</b>	<b>Tolerance</b>	<b>VIF</b>
LnAssets	.137	.038	3.57	0.001	.906	1.104
Manufacturing and extractive firms	.650	.166	3.92	0.000	.933	1.072
To build company image	.479	.106	4.51	0.000	.865	1.156
To satisfy customers	-.296	.105	-2.82	0.007	.798	1.253
(Constant)	-2.669	1.132	-2.36	0.023		
Adjusted R-squared	55.40%					
F statistic (p-value)	22.80 (.000)					
Observations	50					

\*Robust standard errors obtained by using strata software

In addition to the factors found significant in the three different regression models, there were some factors which have a significant relationship (correlation) with the magnitude, level, and quality of CSR disclosure but were not found to be significant in the respective regression models estimated by forward estimation technique. Therefore, not considering the variables excluded during the estimation process in the result discussion may cause a bias in the results (see Hair et al., 2010). To avoid this bias, the researcher examined the correlation matrix, including dependent and independent variables. In the case of the magnitude of CSR disclosure, there are some factors: 'to increase share price', 'to obtain funds from variety of sources', 'to get government support', and 'to satisfy the customers' which were found to be significantly associated with the magnitude of CSR disclosure (through correlation analysis) but were not found to significantly influence the magnitude of CSR disclosure in the regression models. These excluded factors have a significant

relationship with the factor: 'to attract institutional investors' which is already included in the regression model. Similarly, in the case of CSR disclosure level, factors such as 'to increase the share price', 'to reduce equity cost', and 'to satisfy customers' were found to be significantly negatively associated with the level of CSR disclosure but were not found to significantly influence in the level of CSR disclosure model. These factors have a significant relationship with the factor 'to attract the institutional investors' which is already included in the CSR disclosure regression model. Likewise, in the case of CSR disclosure quality, factors: 'to increase the share price', 'to avoid litigation', 'to reduce equity cost', 'to attract institutional investors' and 'to get government support' have a significant negative relationship with the quality of CSR disclosure but were not found to be significant in the quality of CSR disclosure model. These variables were found to be significantly associated with the variables already included in the quality of CSR disclosure regression model. The significant association of the excluded variables with the variables already included in three different regression models leave little room for the excluded variables to be included in the regression model to explain the remaining variation in the dependent variables. This indicates that the factors found significant in different CSR disclosure regression model are not the only factor influencing the magnitude, breadth, and quality of CSR disclosure but excluded factors are also considered to be important in the disclosure decision.

#### **8.4 Factors Considered to be Hurdles in the Disclosure of CSR Information in the Annual Reports**

In this section, the researcher explores the main reasons for the non-disclosure of CSR information in the annual reports. Table 8.14 includes the minimum, maximum,

average score, and standard deviation of the extent to which the respondents agree with various reasons, included in the questionnaire, for the non-disclosure of CSR information. The main reasons for the non-disclosure of CSR information are: inadequate demand from shareholders for CSR information (mean = 3.98, SD = .942), inadequacy of the CSR reporting framework/guidelines (mean = 3.91, SD = .937), insufficiency of CSR education of managers (mean = 3.81, SD = .973), inadequacy of customers' interest in CSR information (mean = 3.81, SD = .912), a low level of public pressure or public concern for CSR information (mean = 3.78, SD = 1.040), meagreness of professional CSR institutions in the country (mean = 3.74, SD = 1.013), insufficiency of regulatory requirements (mean = 3.71, SD = .918), lack of support from industrial associations to disclose CSR information (mean = 3.69, SD = .865), managers' misconceptions about perceived CSR disclosure benefits (mean = 3.52, SD = .942), and cost of doing CSR activities (mean = 3.43, SD = 1.126). To determine whether there was a statistically significant difference between mean scores of the reasons for non-disclosure of CSR information in the annual reports, a repeated measure ANOVA was used. ANOVA has two assumptions: normality and quality of variances. The data for each item's score was not found to be normally distributed, as assessed by Kalmogrov-Simirnov test ( $p$ -value  $< .0005$ ). A repeated ANOVA test is a robust to a departure from normality (Laerd Statistic, 2013) so the results derived from ANOVA are considered valid. The assumption of Sphericity (i.e. variances of the differences between all pairs are equal) was found to be violated, as assessed by Mauchly's test of Shpericity ( $\chi^2_{(119)} = 324.417$ ,  $p$ -value = .000). Therefore a Greenhouse-Geisser correction was applied ( $\epsilon = 0.463$ ). The result showed that at least one of the mean scores of a factor is a significantly different from the mean score of other factors ( $F_{(6.940, 367.829)} = 19.543$ ,  $p$ -value =

0.000, partial  $\eta^2 = 0.269$ ). The result showed that the first six factors are significantly different from the last six factors presented in Table 8.14.

**Table 8.14: Factors considered hurdles for not disclosing CSR information in the annual reports**

Factors	N	Min	Max	Mean	SD	T-test	p-value
Inadequate of demand of shareholders for CSR information	54	1	5	3.98	.942	7.655	.000
Inadequacy of CSR reporting framework/guidelines	54	1	5	3.91	.937	7.116	.000
Inadequacy of CSR education of managers	54	1	5	3.81	.973	6.156	.000
Inadequacy of customers' interest in CSR information	54	1	5	3.81	.912	6.546	.000
Inadequacy of public pressure or public concern for CSR information	54	1	5	3.78	1.040	5.495	.000
Inadequacy of professional CSR institutions in the country	54	1	5	3.74	1.013	5.374	.000
Inadequacy of regulatory requirements	54	1	5	3.71	.918	5.709	.000
Lack of industrial associations support to disclose CSR information	54	1	5	3.69	.865	5.821	.000
Managers' misconceptions about perceived CSR disclosure benefits	54	1	5	3.52	.942	4.061	.000
Cost of doing CSR activities	54	1	5	3.43	1.126	2.78	.008
Accountants only prepare annual reports and they have insufficient knowledge of non-financial data (e.g. CSR) collection methods	54	1	5	3.17	1.095	1.119	.268
Fear of public reactions to sensitive information disclosure (e.g. amount of fines or environmental pollution)	54	1	5	3.15	1.035	1.077	.287
Poor law and order situation catch the most attention of the management that result in non-reporting of CSR information	54	1	5	2.81	1.082	-1.290	.203
Input (e.g. electricity, oil and gas) shortages catch the most attention of the management that result in non-reporting of CSR information	54	1	5	2.80	1.064	-1.412	.164
Cost of reporting CSR information	54	1	5	2.78	1.058	-1.543	.129
To maintain secrecy of good deeds (due to Islamic values )	54	1	4	2.44	.899	-4.592	.000
Min = Minimum, Max = Maximum, SD = Std. Deviation							

Some of the results found in this section are consistent with the results found in previous sections/chapters. For example one of the main reasons for the non-disclosure of CSR information is "inadequacy of shareholders' demand for CSR information". This result is consistent with the result found in chapter 7 where none of the groups of shareholders (e.g. government, institutions, and foreign shareholders) were found to be associated with CSR disclosure (extent, level, and quality). In addition to this, the respondents mentioned the inadequacy of the CSR reporting framework/guidelines, insufficiency of CSR education of managers, meagreness of professional CSR institutions in the country, lack of industrial associations' support for the disclosure of CSR information, managers' misconceptions about perceived CSR disclosure benefits, and insufficient knowledge of accountants to collect non-financial data as reasons for non-disclosure of CSR information in the annual

reports. This result also supports the previous findings found in chapter 7 where companies' membership OR interaction with CSR promoting institutions was found to be significantly positively associated with the magnitude, breadth, and quality of CSR disclosure. These institutions (for example CSR Pakistan, Corporate Social Responsibility Centre Pakistan, UNGC, UNGC Local Network) might be guiding the companies about 'what is socially acceptable to report', 'how the information should be reported' and 'what will be its benefits'. The results found in this section are also consistent with studies conducted in developing countries where the lack of CSR education of managers (Thompson & Zakaria 2004; Zulkifi & Amran 2006) and the lack of regulatory authorities and policy makers' (Government) support (Osuji 2011; Lu & Castka 2009; Perry & Teng 1999) are found to be among the reasons for the non-disclosure of CSR information.

It was also found that the lack of public pressure is one of the reasons for non-disclosure of CSR information in the annual reports. This result is consistent with other studies, conducted in developing countries, which report a lack of public pressure as one reason for the non-disclosure of CSR information (Thompson & Zakaria 2004; Zulkifi & Amran 2006). The results also show that the inadequacy of legal requirements is another reason for non-disclosure of CSR information. This result is also consistent with the reasons for non-disclosure reported in other countries (Solomon & Lewis 2002, Nik Ahmad & Sulaiman 2004, Thompson & Zakaria 2004; Ziaul-Hoq et al., 2010).

## **8.5 Results and Theoretical Discussion**

This chapter set out to investigate top executives' perceptions about corporate social responsibility (CSR), their attitude towards CSR disclosure, the factors considered



important in the decision to disclose CSR information, and their influence on the magnitude, breadth, and quality of CSR disclosure. It also examined the reasons for the non-disclosure of CSR information in the annual reports.

The top corporate executives in Pakistan consider both the traditional aspects (i.e. occupational health and safety, creation of value for shareholders and complying with state laws) and the modern aspects (i.e. improvement of environmental quality and pollution control, participation in the community development activities and treatment of business partners with integrity) when interpreting CSR. This result is consistent with the results of studies conducted in other developing countries (see Zu & Song, 2009; Quazi & Brien, 2000). However, this result is different from the results of a study conducted in a developed country, Australia, where managers give a great value to modern aspects in interpreting corporate social responsibility (see Quazi & Brien, 2000). This difference in interpreting CSR might have occurred due to different socio, political and economic issues of Pakistan. Moreover, top executives have overall positive attitudes towards CSR disclosure. This result is consistent with the results found in studies conducted in other developing countries (see Abdul & Ibrahim, 2002; Jaggi & Zhao, 1996). However, the attitudes towards CSR disclosure depend upon the sector in which the person is working, respondents' age and respondents' exposure to CSR/CSR reporting training. The positive attitudes of managers, working in an environmentally sensitive sector, towards CSR disclosure can be attributed to the sector's exposure to the monitoring of media and NGOs (e.g. WWF) in Pakistan which may exert coercive pressures on an environmentally sensitive firm to act in a socially responsible manner.

The results have shown that managers who received CSR (or CSR reporting) training are more inclined towards CSR disclosure than who have not. The managers who received the training may have learned about the significance and importance of CSR (or CSR reporting). Since some studies have argued that companies will be more likely to act in a socially responsible manner if there is a link between managers and educational institutions, promoting a socially responsible behaviour (see Campbell, 2007; Fernandez-Feijoo et al., 2012). Therefore the manager who received CSR related training/education have depicted more positive attitude towards CSR disclosure as compared to those who have not attended training.

It was also found that young managers have more positive attitudes towards CSR disclosure than older managers in Pakistan. Young managers are expected to be more career-oriented and concerned about future prospects as compared to older people. Therefore their own growth may be more connected with the growth of their organizations. Since some studies have pointed out that the incorporation of CSR into a corporation's policy and the disclosure of CSR information may bring some benefits for the corporation (see Quazi & Brien, 2000; Braco and Rodrigues, 2008; Reverte, 2009). Therefore young managers in Pakistan are more inclined towards the disclosure of CSR information as compared to their counterparts.

As far as factors considered to be important to the decision to disclose CSR information in the annual reports are concerned, the survey results show that managers gave varying levels of importance to factors. Furthermore, they considered a range of stakeholders' concerns in the decision to disclose CSR information (see Table 8.9 and Table 8.10). They attach the most importance (based

on average score) to 'build company image', the chairman's, regulatory institutions', shareholders' and non-executive directors' concerns in the CSR disclosure decisions and give least importance to the concerns of customers, employees, financial institutions, standard setting institutions, media, CSR promoting institutions and educational institutions (see Table 8.9). Furthermore competitors' and other companies' responses to CSR issues are also considered as less important by them. These results can be explained by (managerial) stakeholder theory, according to which companies disclose CSR information in order to manage their powerful stakeholders. It can be seen from the results that the management gave the most importance to its powerful stakeholders (government and shareholders here) in their CSR disclosure decisions. Although they considered other stakeholders' concerns in their CSR disclosure decisions but these stakeholders were given significantly less importance.

Some of the above results could be explained by institutional theory, whereby companies may disclose CSR information due to coercive, normative and mimetic pressures from different actors/institutions in the environment in which the company is operating. It has been seen that the respondents attributed substantial importance to regulatory institutions' concerns in their CSR disclosure decisions. This result indicates that company representatives are experiencing coercive pressures from the regulatory institutions. The results also showed that top executives consider competitors and other companies' responses to CSR disclosure in their CSR disclosure decisions. This provides evidence that company representatives are experiencing mimetic pressure from their competitors and other companies operating in the environment where the respondents' companies are operating. The results also showed that the respondents considered concerns of 'standard setting

institutions', 'CSR promoting institutions' and educational institutions in their decision to disclose CSR information in the annual reports. These institutions are considered to be a source of normative pressure on the firm (see DeMaggio & Powell, 1983; Amran & Devi, 2008). Thus institutional theory provides some insights into the reasons for disclosure of CSR information in the annual reports.

Later this study investigated that whether the varying levels of importance attached to each factor by the top executives had explanatory power in determining the magnitude, breadth and quality of CSR disclosure. In accomplishing this objective, three models were developed through step-wise regression technique. In the three regression models 'to build company image' and 'to operate in environmentally sensitive sector' significantly positively influenced the magnitude, breadth and quality of CSR disclosure. This indicates that companies which are operating in an environmentally sensitive sector or want to build company image place substantial importance on CSR issues, cover a range of CSR issues, and provide a relatively rich quality disclosure. This finding can be explained by legitimacy theory, in which being an 'environmentally sensitive company' is considered to be a proxy of social visibility (the extent to which a company is known by the public) (see Branco & Rodrigues, 2008; Reverte, 2009) and according to which highly socially visible companies are more susceptible to scrutiny, for their impacts, from various groups (for example the government, the public reaction etc.) in the society (see Deegan, 2002; Branco & Rodrigues, 2008; Reverte, 2009). Here the significant relationship between 'to operate in environmentally sensitive sector' and CSR disclosure (extent, level, and quality) may be interpreted as environmentally sensitive companies' reflection of doing activities considered legitimate in the institutional environment in order to avoid the public or stakeholders' scrutiny. Furthermore, the disclosure of

CSR information to build a company image is also consistent with the legitimacy theory perspective in which a company may disclose CSR information to be recognised with symbols having legitimate status in society (Dowling & Pfeffer, 1975). In legitimacy theory, legitimacy and reputation (i.e. to build an image) are inextricably linked as legitimacy requires a reputation that must be retained (Branco & Rodrigues, 2008; Deegan and Unerman, 2011). Apart from the factors which positively influenced the CSR disclosure there are some factors which negatively influence CSR disclosure in the annual reports. The result showed that 'to provide a 'true and fair' view of a firm's operations' and 'to attract institutional investors' had negative relationships with CSR disclosure (see Table 8.11, Table 8.12). Similarly, in disclosing CSR information, the respondents are not motivated by the aim 'to satisfy customers' (see Table 8.13). This may perhaps suggest that company executives' perceive their shareholders, investors, and customers to be less concerned about CSR disclosure. The results have shown that the Chairman is the most influential person in disclosing CSR information in the annual reports (see Table 8.9) and the significant negative relationship between chairman's concerns and the breadth of CSR disclosure suggests that chairman are less concerned about the disclosure of CSR information in the annual reports. There may be many reasons for this, for example the inadequacy of their CSR education and low level of perceived demand for CSR information for their low level of concern for CSR disclosure.

In addition to the factors influencing CSR disclosure, this study determined the reasons for non-disclosure of CSR information in the annual reports. The majority of the reasons: 'inadequacy of CSR reporting framework/guidelines', 'insufficiency of CSR education of managers', 'meagreness of professional CSR institutions in the country', 'lack of industrial associations support to disclose CSR information',

'managers' misconceptions about perceived CSR disclosure benefits', and 'cost of doing CSR activities' for the non-disclosure of CSR information relate to a lack of CSR education of managers/CSR reporting support for the management in Pakistan. In addition to the above the inadequacy of shareholders' demand for CSR information, lack of customers' interest in CSR information, and the lack of public pressure or public concerns for CSR information are considered as reasons for non-disclosure of CSR information in Pakistan. These reasons support the earlier argument, made using the regression analysis results, that shareholders/investors and customers may be less concerned about CSR disclosure. Furthermore, 'insufficiency of regulatory requirements' is another reason for the non-disclosure of CSR information in Pakistan.

## **8.6 Chapter Summary**

The top executives in Pakistan still consider traditional aspects of social responsibility along with modern aspects when interpreting CSR. Furthermore, they have a favourable attitude towards CSR disclosure that depends upon the respondents' age, their exposure to CSR/CSR reporting training, and the sector in which the respondent is working. The respondents attached varying levels of importance to a range of stakeholders in the decision to disclose CSR information in the annual reports. The most important factors considered in the decision to disclose CSR information are: 'to build company image, chairman's, regulatory institutions', shareholders', and non-executive directors' concerns. Among the factors considered important, the results showed that 'to build company image' and 'to operate in environmentally sensitive sector' significantly positively influenced the magnitude, breadth and quality of CSR disclosure. Moreover, the research found that a lack of

CSR education and CSR reporting support, insufficiency of shareholders demand for CSR information, inadequacy of customers' interest in CSR information, and meagreness of regulatory requirements are major reasons for the non-disclosure of CSR information in the annual reports.

## **9 CHAPTER: CONCLUSION**

### **9.0 Introduction**

This chapter serves two purposes. The first purpose of this chapter is to summarise the findings of this thesis and the second is to highlight the implications of the research results, the research's limitations, and avenues for future research. This chapter is organized as follows. The following section reiterates the research questions and the methodology adopted to answer the research questions. The second section summarises the empirical findings of chapters 6, 7, and 8 and explains them with the help of three theories. The third section highlights the research's contribution. The fourth section discusses the research results' practical implications. The last section highlights the research limitations and avenues for future research.

### **9.1 Research Questions and Methodology**

This longitudinal study focuses on Pakistan, a lower middle income developing country, and examines the CSR disclosure by listed companies of Pakistan and determines the factors of CSR disclosure and its dimensions: environment, human resource, products and consumers, and community involvement. This research was targeted to address three research questions. The first research question focuses on determining the quantity and quality of CSR disclosure. The second research question focuses on determining observable factors' relationship with the quantity and quality of CSR disclosure and its dimensions. The third research question focuses on determining the non-observable factors which are perceived to be important in disclosing CSR information in the annual reports. To address the



research questions, the researcher adopted nomothetic methodology which encompasses quantitative research methods e.g. content analysis and survey (for details see Chapter 5). To answer the first two research questions, the researcher used the content analysis research method to collect the data from a sample of 240 annual reports (120 annual reports for each year of the study i.e. 2008 and 2011) of 120 companies listed at the Karachi Stock Exchange (KSE). The data that was collected through content analysis was analysed through descriptive statistics and inferential statistics (e.g. Z-test and T-test) to answer the first research question. Later on, the data derived from content analysis research method was used in various multiple pooled regression models to address the second research question, which focuses on establishing various observable factors' relationship with the quantity and quality of CSR disclosure and its dimensions. Finally, the survey research method was used to elicit top executives' views about the factors influencing CSR disclosure and some descriptive statistics and inferential statistics were also used to address the third research question, which focuses on determining the factors perceived to be important by the management in disclosing (or not disclosing) their CSR information in the annual reports.

## **9.2 Findings and their Theoretical Justifications**

This study takes the view that there is no one single theory which can be used to explain and understand the disclosure findings on its own, and therefore uses three theories: legitimacy, stakeholder, and institutional theory to explain and understand the disclosure results. These theories are considered to be complementary rather than competing theories in this research. These theories view an organization as a part of a broader social system where an organization has influence and is

influenced by the other actors, as part of the social system. The findings of this research are now discussed under the each research question and are explained with the help of these theories.

### **9.2.1 Research Question 1: What is the quantity and quality of CSR disclosure by Pakistani listed companies?**

It is clear from the results that the majority of the companies disclose information about their CSR activities, but the greatest emphasis is given to human resource issues (e.g. health and safety, training and development, and non-discrimination at workplace etc.) followed by community (e.g. public health and education etc.), environment (e.g. environmental pollution and energy conservation etc.) and product and consumer related issues (for details see Chapter 6). These findings are consistent with the existing studies in other emerging/developing countries such as Bangladesh (Belal, 2001; Sobhani et al., 2009; Momin & Parker, 2013), Hong Kong (Gao et al., 2005), Thailand (Ratanajongkol, Davey, & Low, 2006), and Malaysia (Haniffa & Cooke, 2005), where companies disclosed more information about human resource related activities compared to other CSR activities. This can be explained using the pragmatic form of legitimacy, according to which companies disclose CSR information in order to conform to the expectations of their immediate audience. Considering the context of the study (i.e. Pakistan) where a large number of people live below the poverty line and are deprived of basic facilities e.g. health, education, and accommodation (for details see Chapter 2), the public are less likely to be concerned about the environment and product-quality related issues. The similar argument was presented in other studies (see De Villiers & Van Staden, 2006; Xiao et al., 2005), which suggested that the developing countries, deprived of the basic

facilities of life are less likely to be concerned about environmental issues. In light of these arguments, the companies' greater focus on human resource and community related issues in their disclosure decisions and a low level of focus on the 'environment' and 'product and consumer' related issues can be explained by the pragmatic form of legitimacy, where companies may disclose CSR information in order to conform to the expectations of their immediate stakeholders (e.g. employees, local community here). The low level of environmental and 'product and consumer' related disclosure can be explained by institutional theory. As has already been discussed in the Chapter 2, there is an absence of effective mechanisms to control emissions, waste and pollution, and to ensure product quality in Pakistan. Although laws related to the protection of the environment do exist but they are not effectively implemented (see Chapter 2). Meanwhile, the government has yet to build legal and institutional mechanisms to address consumer related issues (see HRCP 2011). In the context of the study, the companies are experiencing little coercive or normative pressure from regulatory institutions to address consumer and environment related issues, and as a result, give less focus to the environment and 'product and consumer' related issues in their actual disclosure.

In addition to these results, the companies disclosed information about the acquisition of quality certifications (e.g. ISO 14000, ISO 9000, OHSAS, 18000 etc.) and the changes made in their structures (e.g. quality control departments and CSR committees etc.). These disclosures may be targeted to conform to stakeholders' (e.g. Environmental Protection Agency, the government, employees etc.) expectations or to assure the stakeholders that the appropriate environmental protection, health and safety, and quality control 'processes and procedures' and organisational structures have been implemented in the company and help the

company to secure procedural and structural legitimacy (for details see Chapter 4). Furthermore, the significant increase in the quantity of CSR disclosure and its dimensions was observed with the passage of time (2008-2011) which indicates that the importance attached to CSR issues has increased over the period of time. The increase in importance attached to CSR issues could be attributed to society's increased awareness of social and environmental issues. These findings are also consistent to the longitudinal studies in other emerging/developing countries such as Malaysia (Haniffa & Cooke, 2005), Mauritius (Mahadeo et al., 2011; Mahadeo et al., 2011b), Hong Kong (Gao et al., 2005), and Thailand (Ratanajongkol et al., 2006), as well as a recent report by the consultancy firm KPMG (2014)<sup>90</sup>.

As far as the quality of CSR disclosure is concerned, the majority of the companies made declarative (qualitative) and mainly positive types of disclosure about CSR issues (see Chapter 6). These findings are consistent with other CSR disclosure (quality) studies in emerging/developing countries such as Thailand (Ratanajongkol et al., 2006) and Mauritius (Mahadeo et al., 2011b), which demonstrate that CSR disclosure is qualitative in nature. Previous researchers, particularly O'Dwyer (2002) and Mahadeo et al., (2011b) argued that companies find a general type of disclosure less threatening than a specific type of disclosure. Similarly, Bouten et al. (2011) argued that a company can be considered to be accountable if it discloses both qualitative (e.g. aims and actions taken to address social issues) and quantitative (e.g. input and output evidences or third party evidences) types of information about a social issue. In our case the majority of the companies disclosed qualitative types of information about CSR issues. It can be argued that the companies' disclosure of

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<sup>90</sup> KPMG (2014) shows a 22% increase in social responsibility reports by companies, included in the sample, from the Asian pacific region in 2013 in comparison to 2011. It also shows, for example, a 53% increase in social responsibility reports by the largest 100 companies in India between 2011 and 2013.

qualitative types of information is less likely to be considered to be an act of expressing accountability but rather supports legitimacy theory's argument that the general and positive types of information are disclosed to avoid scrutiny of the negative impacts of their operations (legitimacy theory). Furthermore, the results revealed a significant increase in the quality of CSR disclosure and its dimensions, which indicates that transparency in CSR reporting is increasing with the passage of time (2008-2011).

### **9.2.2 Research Question 2: What are the observable determinants of CSR Disclosure (measured in quantitative and qualitative way) by Pakistani listed companies?**

In determining the observable factors' relationship with the quantity and quality of CSR disclosure and its dimensions, based on the review of the existing literature on determinants of CSR disclosure, the researcher developed 17 hypotheses under four major factors: social visibility, financial stakeholders, CSR promoting institutions, and corporate governance (for details see Chapter 4). In this model, these factors were predicted to have an overall positive influence on the quantity and quality of CSR disclosure and its types. The main findings from the results presented in the Chapter 7 are summarised in Table 9.1.

From the results, social visibility and CSR promoting institutions were found to be associated with both the quantity and quality of CSR disclosure, while financial stakeholders and corporate governance elements were found to be associated with only a few dimensions of CSR (for details see Chapter 7). In this case, the factors which only influence the dimensions of CSR disclosure are more likely to influence the overall CSR disclosure. Therefore, it is argued that a company's social visibility

and a company's interaction with CSR promoting institutions, as expected in the model, are the main determinants of the quantity and quality of CSR disclosure, while financial stakeholders and governance elements are weak determinants. These results are consistent with the results found in the existing disclosure studies (see Deegan & Gordon, 1996; Cormier & Magnan, 2003; Haniffa & Cooke, 2005; Amran & Devi, 2008, Branco & Rodrigues, 2008, Reverte, 2009, Mahadeo et al., 2011; Perez-Batres et al., 2012; and among others). Furthermore, the quantity and quality of CSR disclosure in Pakistan has increased with the passage of time (2008-11).

**Table 9.1: Determinants of CSR disclosure and its types**

VARIABLES	TCSR	ED	HRD	PCD	CID
<b>Determinants of CSR disclosure (extent) and its types</b>					
<b>Social Visibility (Company Characteristics)</b>	Sig +ve	Sig+ve	Sig +ve	Sig +ve	Sig +ve
<b>General Contextual Factors</b>					
Year Dummy (govt. regulation)				Sig +ve	Sig +ve
Financial Stakeholders		Sig+ve	Sig +ve	Sig -ve	
CSR Promoting Institutions	Sig +ve	Sig+ve	Sig +ve	Sig +ve	Sig +ve
<b>Internal Contextual Factors (Corporate Governance)</b>		Sig -ve		Sig +ve	
<b>Determinants of CSR disclosure (level) and its types</b>					
<b>Social Visibility (Company Characteristics)</b>	Sig +ve	Sig+ve	Sig +ve	Sig +ve	Sig +ve
<b>General Contextual Factors</b>					
Year Dummy (govt. regulation)	Sig +ve				Sig +ve
Financial Stakeholders			Sig +ve	Sig -ve	Sig +ve
CSR Promoting Institutions	Sig +ve	Sig+ve	Sig +ve	Sig +ve	Sig +ve
<b>Internal Contextual Factors (Corporate Governance)</b>		Sig -ve		Neutral	
<b>Determinants of CSR disclosure (quality) and its types</b>					
<b>Social Visibility (Company Characteristics)</b>	Sig +ve	Sig+ve	Sig +ve	Sig +ve	Sig +ve
<b>General Contextual Factors</b>					
Year Dummy (govt. regulation)	Sig +ve				Sig +ve
Financial Stakeholders			Sig +ve	Sig -ve	
CSR Promoting Institutions	Sig +ve	Sig+ve	Sig +ve	Sig +ve	Sig +ve
<b>Internal Contextual Factors (Corporate Governance)</b>		Sig -ve		Sig +ve	
TCSR: Total CSR disclosure, ED: Environmental Disclosure, HRD: Human Resource Disclosure, PCD: Product and Consumer Disclosure, CID: Community Involvement Disclosure					

The positive influence of the social visibility factor on the quantity and quality of CSR disclosure and its dimensions can be interpreted using legitimacy theory (for details see Chapter 4), according to which a highly visible firm may disclose CSR information to avoid the pressures/claims arising from various groups (e.g. the government, the media, and NGOs etc.) within the society where the firm is operating (See Deegan, 2002, Branco & Rodrigues, 2008; Reverte, 2009). This result can also be explained using the managerial branch of stakeholder theory, where a highly visible firm may disclose CSR information in order to manage its relationships with its important stakeholders, for example the government, the media, and the NGOs etc.

The significant positive influence of CSR promoting institutions on the quantity and quality of CSR disclosure and its types might have occurred due to normative pressures from the normative institutions (e.g. NGOs, standard setting institutions, CSR forums and networks). In other words, these CSR promoting institutions might have helped the member companies to shape their understanding of the main elements of CSR, considered legitimate, and needed to be reported (see Perez-Batres et al., 2012). This result can also be explained by the managerial branch of stakeholder theory according to which a firm may disclose CSR information in order to manage its relationship with its important stakeholders (e.g. NGOs i.e. WWF, ILO).

The significant increase in the quantity and quality of CSR disclosure over the period of time (2008-2011) in Pakistan can be attributed to the government regulation (i.e. CSR order 2009) and can be interpreted using both stakeholder and institutional theory (for details see Chapter 7). According to institutional theory, companies'

adaption of CSR disclosure practice can be seen as a response to coercive pressures from the regulatory institutions (i.e. The SECP). According to stakeholder theory, the companies might have disclosed CSR information in order to manage their relationships with their important stakeholders (e.g. the government or the SECP).

The reason behind the low level of influence of financial stakeholders and corporate governance elements on CSR disclosure can be attributed to a low level of interest of financial stakeholders (e.g. shareholder and creditors) and directors (e.g. Chairman and non-executive directors) in CSR issues. The financial stakeholders' low level of interest in CSR issues can be supported by the results presented in the Chapter 8 which showed that the top executives perceive that financial stakeholders are less concerned about CSR issues (for details see Chapter 8).

### **9.2.3 Research Question 3: What are the non-observable factors perceived to be influencing CSR disclosure by Pakistani listed companies?**

In determining the non-observable factors influencing the disclosure of CSR information, the researcher firstly identified the factors perceived to be important by the management in the decision to disclose CSR information, then checked their influence on the actual quantity and quality of CSR disclosure. The findings suggest that management take into account a range of factors in their disclosure decisions and attach varying levels of importance to each factor, but the most importance is given to 'build company image', and directors' (e.g. chairman and non-executive directors), regulatory institutions', and shareholders' concerns (for details see Chapter 8). The companies' greatest emphasis on enhancing company image in



disclosing their CSR information is consistent with the results found in studies conducted in both the developing (see Momin & Parker, 2013; Belal & Owen, 2007) and the developed countries (see Adams, 2002; O'Donovan, 2002) and support the argument of legitimacy theory (see Chapter 4). The management attached substantial importance to the concerns of the regulatory institutions' to comply with the state laws, to avoid litigation, and to avoid enactment of future legislations (see Chapter 8). This result is consistent with the argument made in existing studies which show that corporate social responsibility initiatives may be taken in order to avoid litigation and the enactment of future legislations (see Schwartz & Carroll, 2003). The substantial importance that respondents' attached to regulatory institutions' concerns can be attributed to coercive pressures from the regulatory institutions (institutional theory) or targeted to manage their relationships with the government (stakeholder theory).

The results also suggest that a lack of CSR education of managers, a lack of CSR reporting support, insufficiency of shareholders' demand for CSR information, and inadequacy of customers' interest in CSR information are major reasons for the non-disclosure of CSR information in the annual reports in Pakistan. The reasons are consistent with the results found in the studies conducted in other developing countries (see Perry & Teng, 1999; Md & Ibrahim, 2002; Nik Ahmad & Sulaiman, 2004; Thompson & Zakariya, 2004; Zulkifi & Amran, 2006; Lu & Castka, 2009; Ziaul-Hoq et al., 2010 and among others). These reasons help the researcher to explaining the low level of financial stakeholders' and corporate governance elements' influence on the quantity and quality of CSR disclosure mentioned in Chapter 7. Given the lack of CSR education of managers and the insufficiency of stakeholders' (particularly shareholders and customers) demands for CSR

information, top executives (e.g. chairman and non-executive directors) will be less likely to consider CSR issues as crucial for their organizations. This argument supports our earlier finding that corporate governance elements (proxied by multiple directorships of a chairman, non-executive directors to directors' ratio, and non-executives directors in the audit committee) are less influential in disclosing the CSR information (for details see Chapter 7). The shareholders' concerns are considered very important in disclosing CSR information but they are perceived as not being concerned about CSR information (for details see Chapter 8). This result supports our earlier finding that financial stakeholders (proxied by creditors and different types of shareholders) are less influential in disclosing CSR information (for details see Chapter 7).

In addition to the above, the results suggest that top executives consider their competitors and other companies' responses to CSR in their CSR disclosure decisions. This indicates that the companies are experiencing mimetic pressure in their disclosure decisions (Institutional theory). The results have also shown that the respondents consider concerns of 'standard setting institutions', 'CSR promoting institutions', and 'educational institutions' in their decisions to disclose CSR information in the annual reports and these institutions are considered to be a source of normative pressure on the firms (Institutional theory). These results support our earlier finding that companies' interaction with CSR promoting institutions significantly influences both the quantity and quality of CSR disclosure and its dimensions (for details see Chapter 7). Furthermore, the respondents awarded reasonable importance to the employees' concerns to improve their morale (see Chapter 8). This result provides a rationale for a large amount of human resource disclosure, as observed in the Chapter 6, by listed companies of Pakistan.

In investigating the factors considered to be important influences on the quantity (extent and level) and quality of CSR disclosure, the researcher developed three regression models. In the three regression models 'to build company image' and 'to operate in environmentally sensitive sector' significantly positively influenced the extent, level, and quality of CSR disclosure. This indicates that companies which are operating in an environmentally sensitive sector or want to build a company image give substantial importance to CSR issues, cover a range of CSR issues, and provide relatively a rich quality disclosure. The significant relationship between 'to build a company image' and CSR disclosure (extent, level, and quality) is consistent with the earlier argument that the majority of the companies' focus on qualitative type of information in their disclosures decisions is to legitimise their continued existence (legitimacy theory). The significant relationship between 'to operate in environmentally sensitive sector' and CSR disclosure (extent, level, and quality) may be interpreted as environmentally sensitive companies' reflection of doing activities considered legitimate in the institutional environment in order to avoid the public or stakeholders' scrutiny.

Considering the discussion of the above results, different theories have provided different insights in explaining the CSR disclosure and its types: environment, human resource, product and consumer, and community involvement. Based on the discussion of the results (see discussion sections in chapter 6, chapter 7, and chapter 8), it is argued that one theoretical perspective is not sufficient to understand the CSR disclosure in the annual reports. In other words, the consideration of three theoretical perspectives provides a rich insight in understanding CSR disclosure and its determinants. However, legitimacy theory appears to better explain why the sampled companies are focusing on a particular type of disclosure (e.g. environment

disclosure, human resource disclosure, product and consumer disclosure, and community involvement disclosure) and disclosure themes (e.g. support for education and training, support for public health, support for art and culture, and employees' health and safety etc.).

### **9.3 Research Contribution**

The research findings mentioned above contribute to the existing CSR disclosure literature about the developing countries in the following ways by filling the research gaps mentioned in chapter one.

Firstly, this research contributes to the quantity and quality of CSR disclosure literature about Pakistan, a developing country, by examining the quantity and quality of CSR disclosure and its dimensions by listed companies of Pakistan and explaining the results with the help of three theories: legitimacy, stakeholder, and institutional theory, given that there is a scarcity of CSR disclosure literature about Pakistan and that the disclosure studies conducted in Pakistan did not use a specific theory to explain the results (see Section 3.4).

Secondly, this research contributes to the literature on the determinants of quantity and quality of CSR disclosure and its dimensions about the listed companies of Pakistan as there is absence of literature on determinants of CSR disclosure (quantity and quality) and its dimension about Pakistan (see Section 3.4).

Thirdly, the establishment of a significant positive relationship between CSR promoting institutions and the quantity and quality of CSR disclosure highlights the importance of CSR promoting institutions and contributes to the overall literature on determinants of CSR disclosure as only very few studies show CSR promoting institutions relationship with CSR disclosures quantity (see Section 1.1).

Fourthly, this study contributes to the literature on the determinants of CSR disclosure in general and its dimensions in particular by establishing the factors' relationship with CSR disclosure and its dimensions, as most of the existing disclosure studies focus on establishing determinants of CSR disclosure or environmental disclosure and paid less attention to other dimensions e.g. human resources, community involvement, and products and consumers (see Section 1.1).

Fifthly, this study contributes to the literature on determinants of quality of CSR disclosure and its dimensions as there is not a sufficient literature on the determinant of CSR disclosure quality and its dimensions (see Section 1.1).

Sixthly, this research contributes to the literature on determinants of CSR disclosure by employing a primary data collection method (i.e. survey) which allowed the researcher to explore non-observable factors influencing CSR disclosure as most of the disclosure studies on determinants use secondary sources of data (i.e. annual reports) to establish observable factors' relationship with CSR disclosure (see Section 3.2 & 3.3).

Finally, this research makes a methodological contribution by incorporating three types of information: aims, actions, and performance indicators, considered to be disclosure quality attributes (see Brammer & Paveline, 2008; Hammond & Milne, 2004), to calculate each theme's disclosure quality score. As the previous disclosure studies do not show consensus on the measurement of disclosure quality score and furthermore their measurement methods are not free from a number of weaknesses (see Section 5.2.1.3.2). The theme quality score is later used to calculate the quality score of overall CSR disclosure and its dimensions.

## 9.4 Research Implications

This research results' implications are of particular relevance to Pakistan (the context of the study) but the research implications may equally be applicable to another low middle income countries such as India, Bangladesh, and Nepal etc. which have a situation similar to Pakistan (i.e. weak economy and poor law enforcement mechanisms). This research brings practical implications for three parties: companies themselves, CSR/sustainability promoting institutions (e.g. The Institute of Chartered Accountants of Pakistan (ICAP), Institute of Cost and Management Accountants of Pakistan (ICMAP)), and policy makers (e.g. The Securities and Exchange Commission of Pakistan (SECP)). The results have proved that social visibility and companies' interaction with CSR promoting institutions have positively influenced the CSR disclosure and its types that bring some implications for the listed companies. This suggests that companies that have a high social visibility (due to large size, large profits, environmental sensitivity, consumers' proximity, or to be subsidiary of a multinational company) should focus on all types of disclosure in order to ward off the pressures/claims (to address social and environmental issues) which may arise from different groups within society due a company's social visibility. Moreover, companies' interaction with CSR promoting institutions may help companies in understanding what is considered to be legitimate in the society to be reported. The results have shown that a majority of the sampled companies made declarative types of disclosure (i.e. aims and actions indicators) and mainly focused on the good news (e.g. donations to schools, establishment of schools and hospitals, and sponsorship to environmental awareness programmes). This highlights the need to improve the quality of CSR disclosure in the annual reports. The previous environmental disclosure studies found that the quality of environmental disclosure

positively influenced the environmental reputations (see Hasseldine et al., 2005; Van Staden & Hooks, 2007; Toms, 2002). In the light of the findings, it is suggested that companies should improve the quality of CSR disclosure which may improve their CSR reputation.

This research also has some implications for the accountability promoting institutions (i.e. ICAP and ICMAP). These two accountancy institutions: ICAP and ICMAP are jointly giving 'Best Corporate Reports Awards' to companies in recognition of their excellent financial and non-financial disclosure in Pakistan. These institutions have allocated 6 (out of 100) marks for the disclosure of CSR information in the annual report and do not consider the quality of CSR disclosure in their evaluation criteria (see ICAP and ICMAP, 2011). The purpose of these institutions is to promote accountability and transparency. The sustainability literature highlights the relationship among the economic, social and environmental performance elements of sustainability and their relationship/influence on corporate decision makings (see Hopwood et al., 2010). So the economic sustainability of the company seems impossible without the social and the environmental sustainability. To sustain their economic performance, the companies are required to be responsible for their social and environmental performance and are required to be accountable/ transparent in their social and environmental performance. To make companies accountable for their social and environmental performance, it is suggested that these institutions (e.g. ICAP and ICMAP) should consider nature of information: aims, actions, and performance indicators disclosed about a theme (or issue) in their evaluation criteria. Furthermore, these institutions should increase the weight of CSR disclosure in their evaluation criteria, and I argue that it should be equivalent to the score of other categories for example: corporate governance and stakeholder information of the

evaluation criteria. This would increase the accountability of companies, as is the intention of these institutions (i.e. ICAP and ICMAP).

This research also brings some insights for the policy makers, particularly the SECP, a regulatory body. In determining the reasons for the non-disclosure of CSR information in the annual reports, the majority of the reasons for non-disclosure of CSR information (see Chapter 8) relate to a lack of CSR education of managers and a lack CSR reporting support for the management. The results also show that the inadequacy of shareholders' demand for CSR information, a lack of customers' interest in CSR information, and a lack of public pressure or public concerns for CSR information to be reasons for non-disclosure of CSR information. These results suggest a need for the adoption of CSR education strategy in the country. CSR education should be targeted at the range of stakeholders, particularly shareholders, customers, and the general public. The previous findings, where companies interacting with CSR promoting institutions have significantly positively influenced the magnitude, breadth, and quality of CSR disclosure (see Chapter 7) also provide support for this suggestion.

Further, there are some other reasons for non-disclosure of CSR information, which include the insufficiency of regulatory requirements and the fear of public reactions to sensitive information disclosure (e.g. amount of fines or environmental pollution). This finding highlights the need for regulatory requirements to enhance CSR disclosure by listed companies. It has been observed that the CSR order (2009) introduced by the SECP, a regulatory body in Pakistan, requires listed companies to publish their CSR information in their annual reports and provides vague guidelines for reporting CSR information. This order highlights thirteen items, which may be



reported by a company in Pakistan. Due to this ambiguity, it has been observed from the results discussed in the chapter 6 that the majority of the companies provided declarative types of evidence (not quantitative type of evidence). Moreover, some sampled companies did not disclose CSR information in their annual reports. This might have happened due to the non-existence of any incentives (or disincentives) for CSR disclosure (or non-disclosure) by listed companies in Pakistan (mentioned by one respondent in the questionnaire). Based on the findings, it is suggested to introduce the regulation which should cover 'what type of disclosure to be made', 'what type of evidence to be reported', 'structure of the report', and 'verification mechanism to prevent spurious claims'. If CSR disclosure were mandatory, companies which do not make disclosure in their annual reports would be less likely to realize advantages from their non-disclosure, as is perceived to be the case in the current situation.

It has been seen from the findings of the chapter 6, where most of the sampled companies disclosed positive information in their annual report and a few companies mentioned negative aspects (mainly related to attrition rate or employees turn-over) of a company performance. It can also be seen from the findings that companies do not disclose sensitive information due to a fear of public reactions. By making the CSR disclosure mandatory, companies which do not disclose their CSR information in the annual reports would be less likely to gain advantages from non-disclosure of CSR information. Along with the regulation strategy, the regulatory institutions (e.g. the SECP in Pakistan) should introduce incentives and disincentives for the disclosure and non-disclosure of CSR information in the annual reports respectively. Moreover, this regulation strategy should be accompanied by an education strategy. The reason for this is that the researcher found some sampled companies which did

not disclose CSR information in the annual reports published in 2011 even though the CSR order (2009) introduced by the SECP requires listed companies to publish their CSR information in the annual reports. This indicates that the introduction of the regulation alone is not sufficient but the regulation should be accompanied by the CSR education. This implication supports the suggestion made by Gary et al. (1996) and Solomon and Lewis (2002) that regulations should be accompanied by education.

In addition to the above suggestions, there is another suggestion which may be helpful for the policy makers, which is that the reporting requirements should be decided by a committee consisting of people who have expertise in social and environment related issues. This committee may consist of members from different ministries/departments, for example: the ministry of labour and manpower of Pakistan and environmental protection agency of Pakistan, to decide and develop social and environmental reporting standards<sup>91</sup>. These representatives will enable the committee to ensure that reporting requirements (e.g. minimum wage, health and safety measures, and emission level, etc.) are consistent with the legislations (e.g. labour laws, health and safety laws, and environment laws etc.). In addition to this, people with expertise in social and environmental issues should be part of the audit committee, in order to ensure that a company is complying with the reporting requirements. Currently, accountants are part of the external audit committee and they are only responsible for examining companies' compliance with international financial reporting standards. The companies' compliance with social and environmental reporting standards along with financial reporting standards will not

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<sup>91</sup> The similar suggestion was also given by Kuasirikun (2005)

only enable them to demonstrate their accountability to shareholders but also to other resource providers.

## **9.5 Limitations and Future Research Suggestions**

This section highlights the limitations of this research and also suggests the areas of future research.

This study focused on large listed companies of Pakistan and therefore the findings of this study cannot be generalized to other non-listed companies (including small and medium sized companies). Therefore future research should focus on non-listed companies for the understanding of CSR disclosure and factors considered important (or hurdles) for the disclosure of CSR information. This will provide other insights and would help the policy makers to devise disclosure policies to enhance transparency in disclosure by both the listed and non-listed companies in Pakistan.

This research relied on annual reports to examine CSR information disclosed by the listed companies of Pakistan. Previous authors, particularly Wanderley et al. (2008) and Van Staden and Hooks (2007), have argued that the internet has become a key tool to disclose CSR related information and is a less expensive and quick source to disclose information (Wanderley et al., 2008). Furthermore, some studies have shown that companies are increasingly publishing stand-alone CSR or sustainability reports (see ACCA, 2004; GRI 2010). Thus relying on one source (i.e. annual reports) in examining CSR disclosure may undermine companies' actual disclosure. Therefore future research should also consider the internet and stand-alone sustainability reports as a source for examining CSR disclosure by listed companies. This would provide an opportunity to discover the differences among annual report, stand-alone CSR report and website CSR disclosure.

Another limitation is related to the operational definition of independent non-executive directors. Due to non-availability of data about independent non-executive directors in the annual reports, the researcher has used non-executives directors as a corporate governance variable. Future research should use independent non-executive directors as a corporate governance variable, if possible, to compare the results with other studies, using this proxy to check corporate governance elements' influence on CSR disclosure in developing countries.

In establishing the determinants of CSR disclosure, the previous studies have shown that a firm's media exposure influences its CSR (or environmental) disclosure (see Brown & Deegan 1998; Islam & Deegan 2010). Therefore future research should focus on determining the influence of media exposure on CSR disclosure by listed companies of Pakistan.

During discussions with a few managers of listed companies of Pakistan, the researcher learned that some companies are listed but are not actively trading their shares, while some are owned by the management (i.e. board of directors). Therefore the consideration of these factors in future disclosure research in determining the determinants of CSR disclosure may provide other insights.

This research has found that overall attitudes of the management towards CSR disclosure are positive. According to Adams (2002) and Kuasirikun (2005) the managements' attitude towards disclosure is more likely to influence their CSR disclosure. Therefore, future research should examine whether the managements' overall attitude towards disclosure result in actual CSR disclosure.

This research established the empirical relationship between CSR promoting institutions and CSR disclosure (see Chapter 7). Future research should try to collect

primary data to explore the reasons that underlie this relationship, which may provide fresh insights on the significance of CSR promoting institutions and can be helpful for the policy makers in Pakistan.

This research has shown a significant increase in the quantity and quality of CSR disclosure over the period of time (2008-2011). It has been argued in this research that the significant increase in the disclosure has occurred due to government regulation (i.e. Pakistan CSR Order 2009). In order to establish the influence of government regulation on the quantity and quality of CSR disclosure, future research should collect the data from the corporate annual reports published before and after the introduction of CSR order 2009 and investigate the significance of the difference by controlling for other factors considered important in disclosure decisions. Thus, future research in the areas, suggested above, will add to our knowledge about the others factors influencing CSR disclosure and would be helpful for the policy makers to devise a disclosure policy to enhance transparency in corporate social and environmental disclosure in Pakistan.

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## APPENDICES

### Appendix 1: List of companies selected to check appropriateness of GRI 3.1 (2011) instrument

Sector	Frequency	Percent
Automobile	2	8.0
Banking	4	16.0
Cement	4	16.0
Chemical	3	12.0
Containers	1	4.0
Food Producers	1	4.0
General Industry	1	4.0
Oil and Gas	6	24.0
Personal Care/Goods	2	8.0
Tobacco	1	4.0
Total	25	100.0

### Appendix 2: CSR activities reported in the annual reports of 25 sampled companies of Pakistan

#### Human Resource Disclosure

1. Organize events/functions to entertain employees and their families. Numerous awards such as long service awards, performance awards, and safety awards to acknowledge employees contribution and to promote employees actions
2. Employees' training and education (general)
3. Employees' environmental education
4. Vendors/partners training and education
5. Personal development through coaching, mentoring and appraisals.
6. Training hours
7. Number of people trained
8. Internal and external training provided
9. Number of training days
10. Zero accidents
11. Working hour achieved
12. Employees' health and safety training
13. Safety awareness programmes for employees
14. Safety day celebration
15. Security expenses
16. Health injuries
17. Salaries and wages: Employees' salaries and wages
18. Auditors' remuneration
19. Directors, executive and chief executives' remuneration
20. Employees' welfare fund
21. Employees' profit participation fund
22. Employees' retirement benefits such as pension, gratuity, and provident funds
23. Providing cafeteria facility to employees
24. Development of day care centres for employees

25. Car loan and house rent facility
26. Transport facility to the employees' school children
27. Compensated absences
28. Medical allowances/facility
29. Organizing Sports Events for the employees
30. Providing good gym
31. Number of employees
32. Employees' turnover, attrition and separation

#### **Human Right Disclosure**

33. Promote diverse workforce (female representation)
34. Employment of disable persons
35. No discrimination at the work place on the basis of race, creed, culture, nationality, religion, gender, age, and/or marital status
36. Freedom for employees to form a union

#### **Consumer / product disclosure**

37. Products name and categories
38. Products growth
39. Product features
40. New products developments
41. Information about products safety
42. Products quality information.
43. Feedback from customers

#### **Community Disclosure:**

44. Giving cash and in kinds donations to the needy/indigent people
45. Offering free use of company facilities.
46. Offering free electricity, water, and gas facility to mosques of the vicinity
47. Provide maintenance facility to mosques
48. Donating employees' time and money
49. Flood relief and rehabilitation efforts: Flood relief efforts-giving food items, donating cooking items, proving transportation facility, giving medicine and donating other items such as pillows and mattress.
50. Development of rehabilitation centres for the affecties
51. Rehabilitation of prisoners
52. Sponsoring sports events such as ladies tennis championship, chief of army staff squash championship, cricket tournament, and swimming competition
53. Sponsoring cultural events
54. Social event: social evening and exhibition
55. Personality development and stress management workshops and screen camp programmes
56. Sponsoring gardening and spring flower competition
57. Sponsoring trusts
58. Contest arts events
59. Internship, apprenticeships and educational scholarships: Providing apprenticeships and internships to the students
60. Offering company visits to the students
61. Offering merit and need based educational scholarships to the students
62. Establishment of educational institutions: establishing schools
63. Helping NGOs supporting education
64. Organizing driving courses for the public
65. Provide maintenance facility to schools
66. Offering free electricity, water, gas facility to schools
67. Public Awareness Programmes: Conducted research on road accidents

68. HIV/AIDS awareness programmes
69. National safety conferences
70. Other conferences to educate the public
71. Establishment of health institutions: Establishing hospitals/healthcare units
72. Helping NGOs providing health care facilities
73. Development of public facilities: Development of airports.
74. Preservation of national heritage
75. Installation of clean drinking water plant
76. Development of parks, roads, and bridges
77. Development of union council offices
78. Contribution of sales taxes, income taxes, levies, and duties to the society

**Environmental disclosure**

79. Use sun light
80. Minimize use of energy by using efficient processes
81. Educate employees to turn off unnecessary lights and computers
82. Renewable energy
83. Use recycled water.
84. Protect biodiversity life
85. Dispose water after removing/deactivating chemicals
86. Recycle/ handle waste
87. Run beach cleaning activity
88. Reduce emissions by taking initiatives to reduce CO<sub>2</sub>, NO<sub>x</sub> and other gases
89. Trees plantation
90. Public environmental awareness programmes
91. Students' environmental education.
92. Environmental/ earth day celebration



### Appendix 3: Checklist of CSR disclosure dimensions, themes and indicators

<b>Company's Name:</b> <b>Company's Sector:</b> <b>Company's Code:</b> <b>Coder's Name:</b>	<b>Publishing year:</b> <b>Company's Products:</b> <b>Total Score:</b> <input type="checkbox"/> Waris Ali <input type="checkbox"/> Asia Saeed
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Disclosure Themes and Indicators	Where to locate information	Identification of indicator	Score
<b>A. ENVIRONMENTAL DISCLOSURE:</b>			
<b>1. Environmental Pollution:</b>			
AIMS/INTENTIONS:			
<input type="checkbox"/> Pollution abatement	V <sup>92</sup> /M <sup>93</sup> /CV <sup>94</sup> /SE <sub>95</sub>	<input type="checkbox"/>	
<input type="checkbox"/> No emissions*		<input type="checkbox"/>	
<input type="checkbox"/> To become green factory*		<input type="checkbox"/>	
ACTIONS:			
<input type="checkbox"/> Research and development for pollution abatement	DR <sup>96</sup> /CSRS <sup>97</sup> /ES <sub>98</sub>	<input type="checkbox"/>	
<input type="checkbox"/> Compliance with environmental laws and regulations (i.e. ISO 14000)		<input type="checkbox"/>	
<input type="checkbox"/> Repair of damage to the environment		<input type="checkbox"/>	
<input type="checkbox"/> Anti-litter campaigns (i.e. beach cleaning campaign/systems)		<input type="checkbox"/>	
<input type="checkbox"/> Trees plantation related to pollution reduction*		<input type="checkbox"/>	
<input type="checkbox"/> Installation of new equipments*		<input type="checkbox"/>	
<input type="checkbox"/> Noise education*		<input type="checkbox"/>	
<input type="checkbox"/> Environmental management system in place*			
PERFORMANCE:			
<input type="checkbox"/> Research and development expenditure for pollution abatement	DR/CSRS/ES	<input type="checkbox"/>	
<input type="checkbox"/> Percentage of pollution reduction		<input type="checkbox"/>	
<input type="checkbox"/> Amount spent on trees plantation*		<input type="checkbox"/>	
<input type="checkbox"/> Number of trees planted*		<input type="checkbox"/>	
<input type="checkbox"/> Environmental awards ( e.g. AEEA Awards)*		<input type="checkbox"/>	
<b>2. Conservation of Natural Resources<sup>99</sup>:</b>			
AIMS/INTENTIONS:			
<input type="checkbox"/> Conservation of natural resources	V/M/CV/SE	<input type="checkbox"/>	
ACTIONS:			

<sup>92</sup> Vision statement

<sup>93</sup> Mission statement

<sup>94</sup> Core values

<sup>95</sup> Statement of ethics

<sup>96</sup> Director's report

<sup>97</sup> Corporate social responsibility section

<sup>98</sup> Environment section

<sup>99</sup> Hackston and Milne (1996) treated conservation of natural resources as indicator of environmental pollution theme under environmental disclosure category. However 5 out of 10 sampled companies reported information about this indicator. That's why this indicator is considered a separate theme here. However, its definition was adopted from Hackston and Milne (1996). Conservation of natural resources included recycling glass, metal, oil, water, and paper (Hackston and Milne, 1996).

<input type="checkbox"/> Recycling glass	CSRS/ES	<input type="checkbox"/>
<input type="checkbox"/> Recycling metal		<input type="checkbox"/>
<input type="checkbox"/> Recycling plastic*		<input type="checkbox"/>
<input type="checkbox"/> Recycling oil		<input type="checkbox"/>
<input type="checkbox"/> Recycling water (e.g. installation of water recycling system)		<input type="checkbox"/>
<input type="checkbox"/> Recycling paper		<input type="checkbox"/>
<input type="checkbox"/> Use recycled material		<input type="checkbox"/>
<input type="checkbox"/> Efficiently using material resources in manufacturing process (by changing or adopting procedures)		<input type="checkbox"/>
<input type="checkbox"/> Installation/up gradation of system (e.g. installation of gas and heat recovery system)*		<input type="checkbox"/>
<b>PERFORMANCE:</b>		
<input type="checkbox"/> %age or amount of glass recycled or used or both	DR/C	<input type="checkbox"/>
<input type="checkbox"/> %age or amount of metal recycled or used or both	SRS/ES	<input type="checkbox"/>
<input type="checkbox"/> %age or amount of plastic recycled or used or both*		<input type="checkbox"/>
<input type="checkbox"/> %age or amount of oil recycled or used or both		<input type="checkbox"/>
<input type="checkbox"/> %age or amount of water recycled or used or both		<input type="checkbox"/>
<input type="checkbox"/> %age or amount of paper recycled or used or both		<input type="checkbox"/>
<input type="checkbox"/> Amount (or %age) of gas saved*		<input type="checkbox"/>
<b>3. Energy:</b>		
<b>AIMS/INTENTIONS:</b>		
<input type="checkbox"/> Conservation of energy in the conduct of business operations	V/M/CV/SE	<input type="checkbox"/>
<b>ACTIONS:</b>		
<input type="checkbox"/> Using energy more efficiently during the manufacturing process	DR/CSRS/ES	<input type="checkbox"/>
<input type="checkbox"/> Utilizing waste material for energy production		<input type="checkbox"/>
<input type="checkbox"/> Conducting research to improve energy efficiency		<input type="checkbox"/>
<input type="checkbox"/> Voicing the company concerns about energy shortage (i.e. energy shortage awareness programmes)		<input type="checkbox"/>
<input type="checkbox"/> Running energy saving programmes for employees (i.e. educating employees to turn off the unnecessary lights and computers)*		<input type="checkbox"/>
<input type="checkbox"/> Use renewable energy (e.g. wind energy, solar energy, energy from wasted heat)*		<input type="checkbox"/>
<input type="checkbox"/> Installation/up gradation of system to save energy (e.g. rich reflux re-boiler)*		<input type="checkbox"/>
<b>PERFORMANCE:</b>		
<input type="checkbox"/> Energy savings result from product recycling	DR/CSRS/ES	<input type="checkbox"/>
<input type="checkbox"/> Amount of increased energy efficiency of products		<input type="checkbox"/>
<input type="checkbox"/> Received award on energy saving (conservation) programmes		<input type="checkbox"/>
<input type="checkbox"/> Amount of money spent on energy conservation programmes		<input type="checkbox"/>
<b>4. Aesthetics:</b>		
<b>AIMS/INTENTIONS:</b>		
<input type="checkbox"/> Beautify the environment	V/M/CV/SE	<input type="checkbox"/>
<b>ACTIONS:</b>		
<input type="checkbox"/> Designing facilities harmonious to the environment	DR/CSRS/ES	<input type="checkbox"/>
<input type="checkbox"/> Contribution in terms of cash or art/sculptures to the beauty of the environment		<input type="checkbox"/>
<input type="checkbox"/> Restoring historical buildings and structures		<input type="checkbox"/>
<input type="checkbox"/> Sponsoring gardening and spring flower competition*		<input type="checkbox"/>
<input type="checkbox"/> Planting trees (not related pollution reduction)*		<input type="checkbox"/>
<b>PERFORMANCE:</b>		
<input type="checkbox"/> Amount of cash spent on the beauty of the environment	DR/CSRS/ES	<input type="checkbox"/>
<input type="checkbox"/> Number of building restored and restructured*		<input type="checkbox"/>
<input type="checkbox"/> Number of trees planted*		<input type="checkbox"/>

<input type="checkbox"/> Amount spent of trees plantation*		<input type="checkbox"/>
<b>5. Environment Other:</b>		
<b>AIMS/INTENTIONS:</b>		
<input type="checkbox"/> Educate employees on environmental issues	V/M/CV/SE/CSR	<input type="checkbox"/>
<input type="checkbox"/> Wildlife conservation*	S	<input type="checkbox"/>
<input type="checkbox"/> General awareness*		<input type="checkbox"/>
<b>ACTIONS:</b>		
<input type="checkbox"/> Environmental awareness programs for employees	DR/CSRS/ES	<input type="checkbox"/>
<input type="checkbox"/> Undertake environmental impact studies to monitor the company's impact on the environment		<input type="checkbox"/>
<input type="checkbox"/> General awareness programmes (e.g. earth day celebration, world environmental day)*		<input type="checkbox"/>
<b>PERFORMANCE:</b>		
<input type="checkbox"/> Amount of money spent on environmental training of employees*	DR/CSRS/ES	<input type="checkbox"/>
<input type="checkbox"/> Number of employees received environmental training*		<input type="checkbox"/>
<input type="checkbox"/> Amount of money spent on wild life conservation*		<input type="checkbox"/>
<b>B. HUMAN RESOURCE DISCLOSURE:</b>		
<b>1. Training and Staff Development:</b>		
<b>AIMS/INTENTIONS:</b>		
<input type="checkbox"/> Life-long learning or continuous learning	V/M/CV/SE	<input type="checkbox"/>
<input type="checkbox"/> Employability of an employee		<input type="checkbox"/>
<input type="checkbox"/> Provide career grooming opportunities*		<input type="checkbox"/>
<b>ACTIONS:</b>		
<input type="checkbox"/> Training aiming at achieving formal qualifications	DR/CSRS/EmpS <sup>100</sup>	<input type="checkbox"/>
<input type="checkbox"/> Development discussions		<input type="checkbox"/>
<input type="checkbox"/> In-house/outside trainings*		<input type="checkbox"/>
<input type="checkbox"/> Abroad training*		<input type="checkbox"/>
<input type="checkbox"/> Job rotation		<input type="checkbox"/>
<input type="checkbox"/> Competence appraisals		<input type="checkbox"/>
<input type="checkbox"/> Personal development plans		<input type="checkbox"/>
<input type="checkbox"/> Support for employees_ studies on their own accord		<input type="checkbox"/>
<input type="checkbox"/> Measures to integrate low skilled employees		<input type="checkbox"/>
<input type="checkbox"/> Seminars and workshops*		<input type="checkbox"/>
<b>PERFORMANCE:</b>		
<input type="checkbox"/> Cost of training	DR/EmpS/CN <sup>101</sup>	<input type="checkbox"/>
<input type="checkbox"/> Time spent for training		<input type="checkbox"/>
<input type="checkbox"/> Perception measures (qualitative or quantitative)		<input type="checkbox"/>
<input type="checkbox"/> Number of employees participating in training initiatives		<input type="checkbox"/>
<b>2. Pay and Benefits:</b> <sup>102</sup>		
<b>AIMS/INTENTIONS:</b>		
<input type="checkbox"/> Just, equal pay	V/M/CV/SE	<input type="checkbox"/>
<input type="checkbox"/> Reward according to their abilities and performance*		<input type="checkbox"/>
<b>ACTIONS:</b>		
<input type="checkbox"/> Incentive schemes (results or performance based pay etc. for both employees and directors)	DR/EmpS	<input type="checkbox"/>
<input type="checkbox"/> Option schemes (for both employees and directors)	POS <sup>103</sup>	<input type="checkbox"/>

<sup>100</sup> Employees' section

<sup>101</sup> Company notes

<sup>102</sup> Pay and benefits theme does not include disclosures made to comply with accounting regulations such as: salaries and wages, other employees cost and salaries, and pension arrangement for directors (consistent with Vuontisjarvi, 2006).

<sup>103</sup> Pattern of shareholdings

<input type="checkbox"/> Shares and options owned by individual directors		<input type="checkbox"/>
<input type="checkbox"/> Personnel fund		<input type="checkbox"/>
<input type="checkbox"/> providing assistance or guidance to employees who are in the process of retiring or who have been made redundant;**		<input type="checkbox"/>
<input type="checkbox"/> Providing staff accommodation/staff home ownership schemes;**	NTFS <sup>104</sup>	<input type="checkbox"/>
<input type="checkbox"/> Providing recreational activities/facilities**		<input type="checkbox"/>
<input type="checkbox"/> Employees' pension and provident funds plans*		<input type="checkbox"/>
<b>PERFORMANCE:</b>		
<input type="checkbox"/> Perception measures (qualitative or quantitative)	DR/CSRS/EmpS/	<input type="checkbox"/>
<input type="checkbox"/> Average wage	CN	<input type="checkbox"/>
<input type="checkbox"/> Spread of wages		<input type="checkbox"/>
<input type="checkbox"/> Pay and conditions compared against local equivalent averages (qualitative or quantitative)		<input type="checkbox"/>
<input type="checkbox"/> Amount of pension and provident fund*	NTFS	<input type="checkbox"/>
<input type="checkbox"/> Performance awards (e.g. gold medals, long service awards)*		<input type="checkbox"/>
<b>3. Participation and Staff Involvement:</b>		
<b>AIMS/INTENTIONS:</b>		
<input type="checkbox"/> Principle of open or two way communication	V/M/CV/SE	<input type="checkbox"/>
<input type="checkbox"/> Foster team work and employees participation*		<input type="checkbox"/>
<b>ACTIONS:</b>		
<input type="checkbox"/> Representation of personnel in the company's administration	DR/CSRS/EmpS/	<input type="checkbox"/>
<input type="checkbox"/> Teams	CN	<input type="checkbox"/>
<input type="checkbox"/> A co-operative body		<input type="checkbox"/>
<input type="checkbox"/> Trade-unions, collective agreements		<input type="checkbox"/>
<input type="checkbox"/> A suggestion scheme		<input type="checkbox"/>
<input type="checkbox"/> Intranet		<input type="checkbox"/>
<input type="checkbox"/> Work-force meetings		<input type="checkbox"/>
<input type="checkbox"/> A personnel newsletter		<input type="checkbox"/>
<input type="checkbox"/> A personnel guide		<input type="checkbox"/>
<input type="checkbox"/> Informing personnel about corporate strategy		<input type="checkbox"/>
<input type="checkbox"/> Immediate supervisor as a communication channel		<input type="checkbox"/>
<input type="checkbox"/> E-mail to the managing director		<input type="checkbox"/>
<input type="checkbox"/> Anonymous complaint points		<input type="checkbox"/>
<input type="checkbox"/> Informing personnel about financial performance		<input type="checkbox"/>
<input type="checkbox"/> Internal staff letters*		<input type="checkbox"/>
<b>PERFORMANCE:</b>		
<input type="checkbox"/> Perception measures (qualitative or quantitative)	DR/CSRS/EmpS	<input type="checkbox"/>
<input type="checkbox"/> Number of days or losses related to industrial action		<input type="checkbox"/>
<input type="checkbox"/> Ratio of recognised trade-unions to existing trade unions		<input type="checkbox"/>
<b>4. Health and Safety and Individual Well-being:</b>		
<b>AIMS/INTENTIONS:</b>		
<input type="checkbox"/> Stress on preventive activities (e.g. occupational health and safety)	V/M/CV/SE	<input type="checkbox"/>
<input type="checkbox"/> Retaining the personnel working capacity up to proper retirement age		<input type="checkbox"/>
<input type="checkbox"/> zero accidents		<input type="checkbox"/>
<input type="checkbox"/> Employees' health and safety*		<input type="checkbox"/>
<input type="checkbox"/> Improve working conditions*		<input type="checkbox"/>
<b>ACTIONS:</b>		
<input type="checkbox"/> Support for sport (e.g. cricket tournaments, gym, cafeteria, swimming facility) or recreation (e.g. family functions, musical nights)	DR/CSRS/EmpS	<input type="checkbox"/>
		<input type="checkbox"/>

<sup>104</sup> Notes to financial statements

<input type="checkbox"/> Support for rehabilitation		<input type="checkbox"/>
<input type="checkbox"/> Measurements		<input type="checkbox"/>
<input type="checkbox"/> Training or advice on health issues		<input type="checkbox"/>
<input type="checkbox"/> Support to employees with mental problems		<input type="checkbox"/>
<input type="checkbox"/> Health screening, follow up		<input type="checkbox"/>
<input type="checkbox"/> G.P (general practitioner <sup>105</sup> ) services		<input type="checkbox"/>
<input type="checkbox"/> Action against drugs or alcohol		<input type="checkbox"/>
<input type="checkbox"/> Special doctor services		<input type="checkbox"/>
<input type="checkbox"/> Special attention paid to ageing people		<input type="checkbox"/>
<input type="checkbox"/> Surveys on stress		<input type="checkbox"/>
<input type="checkbox"/> Health and safety training (e.g. firefighting drills)		<input type="checkbox"/>
<input type="checkbox"/> Occupational health and safety system audited by third parties (OSHAS 180001)		<input type="checkbox"/>
<input type="checkbox"/> Analysing the causes of work-related accidents and safety surveys		<input type="checkbox"/>
<input type="checkbox"/> Improving the workplace ergonomics		<input type="checkbox"/>
<input type="checkbox"/> Improving the hygiene at work		<input type="checkbox"/>
<input type="checkbox"/> Improving the management of threat and violence		
<input type="checkbox"/> Health and safety awareness programmes ( e.g. publish monthly health and safety bulletins, celebrating no smoking day, health and safety videos, safety presentations )*		
<b>PERFORMANCE:</b>		
<input type="checkbox"/> Rate of absence	DR/CSRS/EmpS/	<input type="checkbox"/>
<input type="checkbox"/> Occupational health costs	CN	<input type="checkbox"/>
<input type="checkbox"/> Perception measures (qualitative or quantitative) (e.g. external health and safety ratings)		<input type="checkbox"/>
<input type="checkbox"/> Work organisation and community (disclosed in context of employee well-being)		<input type="checkbox"/>
<input type="checkbox"/> Number of occupational injuries		
<input type="checkbox"/> Number of employees trained*		<input type="checkbox"/>
<input type="checkbox"/> Occupational health and safety awards*		<input type="checkbox"/>
<input type="checkbox"/> Number of man hours achieved*		<input type="checkbox"/>
<b>5. Measurement of Policies:</b>		
<b>AIMS/INTENTIONS:</b>		
<input type="checkbox"/> To measure the success the of HRM related policies and process	V/M/CV/SE	<input type="checkbox"/>
<b>ACTIONS:</b>		
<input type="checkbox"/> Working atmosphere or job satisfaction survey		<input type="checkbox"/>
<input type="checkbox"/> Other internal survey		
<input type="checkbox"/> External survey		
<b>PERFORMANCE:</b>		
<input type="checkbox"/> Staff turnover (or attrition rate)	DR/CSRS/EmpS	<input type="checkbox"/>
<input type="checkbox"/> Breakdown by length of employment contract		<input type="checkbox"/>
<input type="checkbox"/> Average length of employment contract		<input type="checkbox"/>
<input type="checkbox"/> Standards (qualitative or quantitative)		<input type="checkbox"/>
<input type="checkbox"/> Awards (qualitative or quantitative)		<input type="checkbox"/>
<input type="checkbox"/> Working atmosphere or job satisfaction index		<input type="checkbox"/>
<input type="checkbox"/> Ethical funds (with or without reference to HRM, qualitative or quantitative)		<input type="checkbox"/>
<input type="checkbox"/> Retention rate		<input type="checkbox"/>
<b>6. Employment Policy:</b>		
<b>AIMS/INTENTIONS:</b>		

<sup>105</sup> a medical practitioner who treats acute and chronic illnesses and provides preventive care and health education for all ages

<input type="checkbox"/> Positive employer image	V/M/CV/SE	<input type="checkbox"/>
<b>ACTIONS:</b>		
<input type="checkbox"/> Traineeships for students (i.e. internships/apprenticeships)	DR/CSRS/EmpS	<input type="checkbox"/>
<input type="checkbox"/> Summer and part-time employment of students		<input type="checkbox"/>
<input type="checkbox"/> Company has offered training and employment for unemployed people		<input type="checkbox"/>
<input type="checkbox"/> Company has offered training and employment for ageing people		<input type="checkbox"/>
<input type="checkbox"/> Company has offered training and employment for people with disabilities		<input type="checkbox"/>
<input type="checkbox"/> Company has offered training and employment for immigrants or ethnic minorities		<input type="checkbox"/>
<input type="checkbox"/> Company has offered training and employment for low skilled people		
<b>PERFORMANCE:</b>		
<input type="checkbox"/> Number of new recruits	DR/CSRS/EmpS	<input type="checkbox"/>
<input type="checkbox"/> Number of traineeships		<input type="checkbox"/>
<input type="checkbox"/> Results of external employer image surveys (qualitative or quantitative)		<input type="checkbox"/>
<input type="checkbox"/> Number of ageing new recruits		<input type="checkbox"/>
<input type="checkbox"/> Number of new recruits with disabilities		<input type="checkbox"/>
<input type="checkbox"/> Number of new recruits from immigrants/ethnic minorities		<input type="checkbox"/>
<b>7. Security in Employment:</b>		
<b>AIMS/INTENTIONS:</b>		
<input type="checkbox"/> Long, secure contracts	V/M/CV/SE	<input type="checkbox"/>
<b>ACTIONS:</b>		
<input type="checkbox"/> Reductions in workforce for economic or reasons related to production (all disclosures)	DR/CSRS/EmpS	<input type="checkbox"/>
<input type="checkbox"/> Proactive measures to avoid redundancies (out of job)		<input type="checkbox"/>
<input type="checkbox"/> Professional support for redundant employees		<input type="checkbox"/>
<b>PERFORMANCE:</b>		
<input type="checkbox"/> Breakdown by part-time or full-time	DR/CSRS/EmpS	<input type="checkbox"/>
<input type="checkbox"/> Breakdown by fixed term or regular		<input type="checkbox"/>
<input type="checkbox"/> Number of internal rotations		<input type="checkbox"/>
<input type="checkbox"/> Number of redundancies or dismissals		<input type="checkbox"/>
<input type="checkbox"/> Number of other temporary employees		<input type="checkbox"/>
<input type="checkbox"/> Perception measures (qualitative or quantitative)		<input type="checkbox"/>
<b>8. Equal Opportunities:</b>		
<b>AIMS/INTENTIONS:</b>		
<input type="checkbox"/> Principle of non-discrimination/equal opportunities/diversity	V/M/CV/SE	<input type="checkbox"/>
<b>ACTIONS:</b>		
<input type="checkbox"/> Equal opportunity plan	DR/CSRS/EmpS	<input type="checkbox"/>
<input type="checkbox"/> Diversity or equal opportunity training		<input type="checkbox"/>
<input type="checkbox"/> Attention paid to equality in wages		<input type="checkbox"/>
<input type="checkbox"/> Measures to facilitate the adaptation of immigrants or ethnic minorities		<input type="checkbox"/>
<input type="checkbox"/> Code of practice for sexual harassment		<input type="checkbox"/>
<input type="checkbox"/> Code of practice for bullying (aggressive behaviour)		<input type="checkbox"/>
<input type="checkbox"/> Code of practice for employees respect*		<input type="checkbox"/>
<input type="checkbox"/> Surveys on equality		<input type="checkbox"/>
<input type="checkbox"/> Targeted recruitment in order to balance gender segregation		<input type="checkbox"/>
<input type="checkbox"/> Measures to facilitate the adaptation of people with disabilities		<input type="checkbox"/>
<input type="checkbox"/> Engagement of third party (outside agency) in the recruitment process*		

<b>PERFORMANCE:</b>			
<input type="checkbox"/> Breakdown by age	DR/CSRS/EmpS	<input type="checkbox"/>	
<input type="checkbox"/> Average age		<input type="checkbox"/>	
<input type="checkbox"/> Breakdown by gender		<input type="checkbox"/>	
<input type="checkbox"/> Number of women in management positions		<input type="checkbox"/>	
<input type="checkbox"/> Number of immigrants or employees from ethnic minorities		<input type="checkbox"/>	
<input type="checkbox"/> Number of people with disabilities		<input type="checkbox"/>	
<input type="checkbox"/> Number of people with disabilities in management positions		<input type="checkbox"/>	
<input type="checkbox"/> Number of people with ethnic background in management positions		<input type="checkbox"/>	
<input type="checkbox"/> Number of legal non-compliances with legislation		<input type="checkbox"/>	
<input type="checkbox"/> Workforce profile compared to the community profile for travel to workforce (qualitative or quantitative)		<input type="checkbox"/>	
<input type="checkbox"/> Perception measures (qualitative or quantitative)		<input type="checkbox"/>	
<b>9. Work-life Balance:</b>			
<b>AIMS/INTENTIONS:</b>			
<input type="checkbox"/> Principle of work-life balance	V/M/CV/SE/CSRS	<input type="checkbox"/>	
<b>ACTIONS:</b>			
<input type="checkbox"/> Flexitime <sup>106</sup>	DR/CSRS/EmpS	<input type="checkbox"/>	
<input type="checkbox"/> Support for childcare (e.g. day care centre)		<input type="checkbox"/>	
<input type="checkbox"/> Better maternity or parental leave advantages than stipulated in law and collective agreements		<input type="checkbox"/>	
<input type="checkbox"/> Encouragement for men to use their family leave options		<input type="checkbox"/>	
<input type="checkbox"/> Complementary training for those returning from family leave		<input type="checkbox"/>	
<input type="checkbox"/> Survey on work-life balance		<input type="checkbox"/>	
<input type="checkbox"/> Concierge (attendant) services		<input type="checkbox"/>	
<b>PERFORMANCE:</b>			
<input type="checkbox"/> Perception measures (qualitative or quantitative)	DR/CSRS/EmpS	<input type="checkbox"/>	
<b>C. PRODUCTS AND CONSUMERS DISCLOSURE:</b>			
<b>1. Product Developments:</b>			
<b>AIMS/INTENTIONS:</b>			
<input type="checkbox"/> Develop or improve company's products	CSRS	<input type="checkbox"/>	
<b>ACTIONS:</b>			
<input type="checkbox"/> Development related to the company's products including Packaging	DR/CSR/PS <sup>107</sup>	<input type="checkbox"/>	
<input type="checkbox"/> Making containers reusable		<input type="checkbox"/>	
<input type="checkbox"/> Research and developments related to product developments		<input type="checkbox"/>	
<b>PERFORMANCE:</b>			
<input type="checkbox"/> Amount/percentage figure of research and development expenditure	DR/CSRS/PS	<input type="checkbox"/>	
<input type="checkbox"/> Amount/percentage figure showing research and development benefits		<input type="checkbox"/>	
<b>2. Product Safety:</b>			
<b>AIMS/INTENTIONS:</b>			
<input type="checkbox"/> Improve product safety	V/M/CV/SE/CSRS	<input type="checkbox"/>	
<b>ACTIONS:</b>			
<input type="checkbox"/> Products meet applicable standards (i.e. ISO product standards)	DR/CSRS/PS	<input type="checkbox"/>	
<input type="checkbox"/> Actions taken to make products safe for consumers		<input type="checkbox"/>	

<sup>106</sup> A system of working, in which an employee can choose hours of starting and leaving time each day

<sup>107</sup> Product section

<input type="checkbox"/> Conducting research on company products		<input type="checkbox"/>
<input type="checkbox"/> Sanitary procedures improved in the processing and manufacturing of products		<input type="checkbox"/>
<input type="checkbox"/> Educating people about companies products' negative impacts		
<b>PERFORMANCE:</b>		
<input type="checkbox"/> Product safety awards	DR/CSRS/PS	<input type="checkbox"/>
<b>3. Product Quality:</b>		
<b>AIMS/INTENTIONS:</b>		
<input type="checkbox"/> Improve/maintain product quality	V/M/CV/SE/CSR S	<input type="checkbox"/>
<b>ACTIONS:</b>		
<input type="checkbox"/> Product quality audited by third party (i.e. ISO 9000)	DR/CSRS/PS/ Awards section	<input type="checkbox"/>
<b>PERFORMANCE:</b>		
<input type="checkbox"/> Firm's product quality awards/prizes	DR/CSRS/PS/ Awards section	<input type="checkbox"/>
<b>4. Consumers' Relations**:</b>		
<b>AIMS/INTENTIONS:</b>		
<input type="checkbox"/> Customers' relationship building*	V/M/CV/SE/CSR S	<input type="checkbox"/>
<input type="checkbox"/> Customers' satisfaction*		<input type="checkbox"/>
<b>ACTIONS:</b>		
<input type="checkbox"/> Customers satisfaction survey	DR/CSRS/PS	<input type="checkbox"/>
<input type="checkbox"/> External survey		<input type="checkbox"/>
<input type="checkbox"/> Customers complaints system		<input type="checkbox"/>
<input type="checkbox"/> Education about company's products (e.g. properly labelled, advertised, and communicated)*		<input type="checkbox"/>
<b>PERFORMANCE:</b>		
<input type="checkbox"/> Number of customers complaints	DR/CSRS/PS	<input type="checkbox"/>
<input type="checkbox"/> Customers satisfaction results (Perception measure used Vuontisjarvi, 2006)		<input type="checkbox"/>
<input type="checkbox"/> Number of consumers' educated*		<input type="checkbox"/>
<b>D. COMMUNITY INVOLVEMENT DISCLOSURE:</b>		
<b>1. Support for Education/training***:</b>		
<b>AIMS/INTENTIONS:</b>		
<input type="checkbox"/> To promote public education	V/M/CV/SE/CSR S	<input type="checkbox"/>
<b>ACTIONS:</b>		
<input type="checkbox"/> Aiding medical research	DR/CSRS/CR <sup>108</sup>	<input type="checkbox"/>
<input type="checkbox"/> Sponsoring educational conferences and seminars		<input type="checkbox"/>
<input type="checkbox"/> Funding scholarship (i.e. need based or merit based) programmes or activities		<input type="checkbox"/>
<input type="checkbox"/> Running personality development/stress management workshops*		<input type="checkbox"/>
<input type="checkbox"/> Establishing schools*		<input type="checkbox"/>
<input type="checkbox"/> Supporting NGOs providing education*		<input type="checkbox"/>
<input type="checkbox"/> Organize vocational courses/trainings (e.g. driving courses, mobile repairing, home appliances repairing)*		<input type="checkbox"/>
<input type="checkbox"/> Offering free water, electricity, and gas facility to the schools*		<input type="checkbox"/>
<input type="checkbox"/> Establishing/running educational projects with NGOs*		
<b>PERFORMANCE:</b>		
<input type="checkbox"/> Amount of money spent on education*	DR/CSRS/CR	<input type="checkbox"/>
<input type="checkbox"/> Amount of sponsorship*		<input type="checkbox"/>
<input type="checkbox"/> Number of scholarship*		<input type="checkbox"/>
<input type="checkbox"/> Number of students benefited*		<input type="checkbox"/>
<input type="checkbox"/> Number of students trained*		<input type="checkbox"/>
<input type="checkbox"/> Number of school built*		<input type="checkbox"/>

<sup>108</sup> Community relations



<b>2. Support for Art and Culture:</b>		
AIMS/INTENTIONS:		
<input type="checkbox"/> To promote a country's arts and culture	V/M/CV/SE/CSR S	<input type="checkbox"/>
ACTIONS:		
<input type="checkbox"/> Sponsoring art exhibitions	DR/CSRS/CR	<input type="checkbox"/>
<input type="checkbox"/> Sponsoring national pride campaigns		<input type="checkbox"/>
<input type="checkbox"/> Support government sponsored campaigns		<input type="checkbox"/>
<input type="checkbox"/> Sponsoring cultural events*		<input type="checkbox"/>
<input type="checkbox"/> Supporting social evenings (i.e. musical nights for the community excluding a company's employees)*		<input type="checkbox"/>
<input type="checkbox"/> Contesting arts events*		<input type="checkbox"/>
PERFORMANCE:		
<input type="checkbox"/> Amount of sponsorships	DR/CSRS/CR	<input type="checkbox"/>
<input type="checkbox"/> Number of persons benefited from the events*		<input type="checkbox"/>
<b>3. Support for Public Health***:</b>		
AIMS/INTENTIONS:		
<input type="checkbox"/> To make the public healthy	V/M/CV/SE/CSR S	<input type="checkbox"/>
ACTIONS:		
<input type="checkbox"/> Sponsoring public health projects	DR/CSRS/CR	<input type="checkbox"/>
<input type="checkbox"/> Sponsoring medical trusts*		<input type="checkbox"/>
<input type="checkbox"/> Conducting research on road accidents*		<input type="checkbox"/>
<input type="checkbox"/> Running health awareness programmes (e.g. HIV/AIDS awareness programmes, blood screening camps, safety lectures)*		<input type="checkbox"/>
<input type="checkbox"/> Sponsoring national safety conferences*		<input type="checkbox"/>
<input type="checkbox"/> Establish health institutions (i.e. hospitals and health care units)*		<input type="checkbox"/>
<input type="checkbox"/> Supporting NGOs providing healthcare facilities*		
PERFORMANCE:		
<input type="checkbox"/> Amount of money spent on public health programmes*	DR/CSRS/CR	<input type="checkbox"/>
<input type="checkbox"/> Number of people benefited from health projects/ awareness programmes *		<input type="checkbox"/>
<b>4. Sponsoring Sporting or Recreational Projects***:</b>		
AIMS/INTENTIONS:		
<input type="checkbox"/> To promote sports in the country	V/M/CV/SE/CSR S	<input type="checkbox"/>
ACTIONS:		
<input type="checkbox"/> Sponsoring sports events (i.e. tennis championship, squash championship, cricket tournament, and swimming competition)*	DR/CSRS/CR	<input type="checkbox"/>
PERFORMANCE:		
<input type="checkbox"/> Amount of money spent on sports activities*	DR/CSRS/CR	<input type="checkbox"/>
<input type="checkbox"/> Number of teams participated*		<input type="checkbox"/>
<b>5. Other Community Activities***:</b>		
AIMS/INTENTIONS:		
<input type="checkbox"/> To develop/uplift community (facilities or infrastructure)	V/M/CV/SE/CSR S	<input type="checkbox"/>
<input type="checkbox"/> To support established community activities, events, or organizations		<input type="checkbox"/>
ACTIONS:		
<input type="checkbox"/> Support for the development of airports*	DR/CSRS/CR	<input type="checkbox"/>
<input type="checkbox"/> Installation of clean drinking water plants*		<input type="checkbox"/>
<input type="checkbox"/> Development of parks, roads, and bridges*		<input type="checkbox"/>
<input type="checkbox"/> Development of union council offices*		<input type="checkbox"/>

<input type="checkbox"/>	Donation of cash		<input type="checkbox"/>
<input type="checkbox"/>	Donation of company products		<input type="checkbox"/>
<input type="checkbox"/>	Donations of employees' time		<input type="checkbox"/>
<input type="checkbox"/>	Opening companies' facilities to the public		<input type="checkbox"/>
<input type="checkbox"/>	Offering free water, gas facility to the mosques of the vicinity*		<input type="checkbox"/>
<input type="checkbox"/>	Provide maintenance facility to the mosques*		<input type="checkbox"/>
<input type="checkbox"/>	Development of rehabilitation centres (for flood/earth affecties or prisoners)*		<input type="checkbox"/>
<input type="checkbox"/>	Providing relief goods to flood/earth affecties*		<input type="checkbox"/>
<b>PERFORMANCE:</b>			
<input type="checkbox"/>	Amount of money spent on building community facilities*	DR/CSRS/CR	<input type="checkbox"/>
<input type="checkbox"/>	Number of (or amount spent on) cleaning drinking plants installed*		<input type="checkbox"/>
<input type="checkbox"/>	Amount of donation*	NTFS <sup>109</sup>	<input type="checkbox"/>
<input type="checkbox"/>	Quantity of products donated*		<input type="checkbox"/>
<input type="checkbox"/>	Amount of employees time*		<input type="checkbox"/>
<input type="checkbox"/>	Number of people benefited*		<input type="checkbox"/>
<input type="checkbox"/>	Number of rehabilitation centres built*		<input type="checkbox"/>

Human resource disclosure themes and their indicators were adopted from Vuontisjarvi (2006) except indicators having asterisk (\*) sign, while environmental disclosure and products disclosure themes and indicators were adopted from Hackston and Milne (1996) except indicators having asterisk (\*) sign. Moreover, Hackston and Milne (1996) discussed all indicators of community involvement under one theme 'community involvement' but Branco and Rodrigues (2008) discussed these indicators under five themes: charitable donations and activities, support for education, support for the arts and culture, support for public health, and sponsoring sports and recreational projects, which have been adopted to categorise community development indicators of Hackston and Milne (1996). Indicators having asterisk (\*) sign were included in the research instrument based on reported information in companies' annual reports. Indicators having two asterisk (\*\*) signs were adopted from Hackston and Milne (1996). Themes having three asterisk (\*\*\*) sign were adopted from Branco and Rodrigues (2008).

#### Appendix 4: List of sampled companies for the pilot study

1. Dawood Hercules Corporation Ltd
2. Atlas Honda
3. Colgate Palmolive Limited
4. DG Khan Cement Limited
5. Abbott Pakistan Limited
6. Shell Pakistan limited
7. Unilever Pakistan Limited
8. Luck Cement Limited
9. Pakistan Tobacco Company Limited
10. Pakistan Petroleum Limited

<sup>109</sup> Notes to financial statements

## Appendix 5: Pilot study descriptive results

CSR Disclosure Categories/Themes		Indicators		Sampled companies results										Decision about inclusion of CSR themes
A. ENVIRONMENTAL DISCLOSURE:		1	2	3	4	5	6	7	8	9	10			
1 Environmental Pollution:												included		
AIMS/INTENTIONS:														
	Pollution abatement	1				1		1	1		1			
	No emissions*		1							1	1			
	To become green factory*					1					1			
ACTIONS:														
	Research and development for pollution abatement													
	Compliance with environmental laws and regulations (i.e. ISO 14000)	1	1			1					1			
	Repair of damage to the environment													
	Anti-litter campaigns (i.e. beach cleaning campaign/systems)													
	Trees plantation*	1							1	1				
	Installation of new equipments*		1		1				1					
	Noise education*		1											
	Environmental management system in place*							1	1	1	1			
PERFORMANCE:														
	Research and development expenditure for pollution abatement													
	Percentage of pollution reduction								1					
	Amount spent on trees plantation*		1											
	Number of trees planted*	1							1	1				
	Environmental awards ( e.g. AEEA Awards)*								1	1				
2 Conservation of Natural Resources:												included		
AIMS/INTENTIONS:														
	Conservation of natural resources	1	1							1				
ACTIONS:														
	Recycling glass													
	Recycling metal		1							1				
	Recycling plastic*													
	Recycling oil													
	Recycling water (e.g. installation of water recycling system)		1											
	Recycling paper													
	Use recycled material		1				1			1				

Efficiently using material resources in manufacturing process (by changing or adopting procedures)							1				
Installation/up gradation of system (e.g. installation of gas and heat recovery system)*	1					1					
<b>PERFORMANCE:</b>											
%age or amount of glass recycled or used or both											
%age or amount of metal recycled or used or both						1					
%age or amount of plastic recycled or used or both*											
%age or amount of oil recycled or used or both		1									
%age or amount of water recycled or used or both		1									
%age or amount of paper recycled or used or both											
Amount (or %age) of gas saved*											
<b>3 Energy:</b>											<b>included</b>
<b>AIMS/INTENTIONS:</b>											
Conservation of energy in the conduct of business operations	1	1					1	1	1	1	
<b>ACTIONS:</b>											
Using energy more efficiently during the manufacturing process	1	1		1			1				
Utilizing waste material for energy production				1				1			
Conducting research to improve energy efficiency											
Voicing the company concerns about energy shortage (i.e. energy shortage awareness programmes)											
Running energy saving programmes for employees (i.e. educating employees to turn off the unnecessary lights and computers)*							1			1	
Use renewable energy (e.g. wind energy, solar energy, energy from wasted heat)*		1						1			
Installation/up gradation of system to save energy (e.g. rich reflux re-boiler)*		1					1				
<b>PERFORMANCE:</b>											
Energy savings result from product recycling		1									
Amount of increased energy efficiency of products		1		1							
Received award on energy saving (conservation)											

programmes												
Amount of money spent on energy conservation programmes												
<b>4 Aesthetics:</b>												<b>Included</b>
<b>AIMS/INTENTIONS:</b>												
Beautify the environment												
<b>ACTIONS:</b>												
Designing facilities harmonious to the environment												
Contribution in terms of cash or art/sculptures to the beauty of the environment												
Restoring historical buildings and structures								1				
Planting trees (not related to pollution reduction)*												
Sponsoring gardening and spring flower competition*												
<b>PERFORMANCE:</b>												
Amount of cash spent on the beauty of the environment												
Number of building restored and restructured*												
Number of trees planted*												
Amount spent on trees plantation*												
<b>5 Environment Other:</b>												<b>Included</b>
<b>AIMS/INTENTIONS:</b>												
Educate employees on environmental issues								1				
Wildlife conservation*												
General awareness*	1									1	1	
<b>ACTIONS:</b>												
Environmental awareness programs for employees								1				
Undertake environmental impact studies to monitor the company's impact on the environment												
General awareness programmes (e.g. earth day celebration, world environmental day)*									1		1	
<b>PERFORMANCE:</b>												
Amount of money spent on environmental training of employees*												
Number of employees received environmental training*												
Amount of money spent on wild life conservation*												

<b>B. HUMAN RESOURCE DISCLOSURE:</b>												
<b>1 Training and Staff Development:</b>												<b>Included</b>
<b>AIMS/INTENTIONS:</b>												
	Life-long learning or continuous learning										1	
	Employability of an employee	1	1	1		1	1	1	1		1	
	Provide career grooming opportunities*		1			1	1	1	1		1	
<b>ACTIONS:</b>												
	Training aiming at achieving formal qualifications		1			1	1	1			1	
	Development discussions											
	In-house/outside trainings*		1		1	1					1	
	Abroad training*		1		1						1	
	Job rotation											
	Competence appraisals						1	1				
	Personal development plans							1				
	Support for employees_ studies on their own accord	1		1								
	Measures to integrate low skilled employees											
	Seminars and workshops*					1		1			1	
<b>PERFORMANCE:</b>												
	Cost of training											
	Time spent for training					1						
	Perception measures (qualitative or quantitative)						1					
	Number of employees participating in training initiatives	1	1			1					1	
<b>2 Pay and Benefits:</b>												<b>Included</b>
<b>AIMS/INTENTIONS:</b>												
	Just, equal pay											
	Reward according to their abilities and performance*		1									
<b>ACTIONS:</b>												
	Incentive schemes (results or performance based pay etc. for both employees and directors)											
	Option schemes (for both employees and directors)										1	
	Shares and options owned by individual directors										1	
	Personnel fund											
	providing assistance or guidance to employees who are in the process of retiring or who have been made redundant;**											
	Providing staff accommodation/staff home											

ownership schemes;**												
Providing recreational activities/facilities**												
Employees' pension and provident funds plans*	1	1	1				1	1	1	1		
<b>PERFORMANCE:</b>												
Perception measures (qualitative or quantitative)												
Average wage												
Spread of wages												
Pay and conditions compared against local equivalent averages (qualitative or quantitative)												
Amount of pension and provident fund*	1	1	1				1	1		1		
Performance awards (e.g. gold medals, long service awards)*		1									1	
<b>3 Participation and Staff Involvement:</b>												<b>Included</b>
<b>AIMS/INTENTIONS:</b>												
Principle of open or two way communication	1	1							1		1	
Foster team work and employees participation*											1	
<b>ACTIONS:</b>												
Representation of personnel in the company's administration												
Teams	1											
A co-operative body												
Trade-unions, collective agreements												
A suggestion scheme								1			1	
Intranet								1	1		1	
Work-force meetings												
A personnel newsletter									1			
A personnel guide												
Informing personnel about corporate strategy								1				
Immediate supervisor as a communication channel												
E-mail to the managing director											1	
Anonymous complaint points											1	
Informing personnel about financial performance									1			
Internal staff letters*												
<b>PERFORMANCE:</b>												
Perception measures (qualitative or quantitative)									1			

Number of days or losses related to industrial action												
Ratio of recognised trade-unions to existing trade unions												
<b>4 Health and Safety and Individual Well-being:</b>												<b>Included</b>
<b>AIMS/INTENTIONS:</b>												
Stress on preventive activities (e.g. occupational health and safety)	1	1		1	1	1	1	1	1	1	1	
Retaining the personnel working capacity up to proper retirement age												
zero accidents		1	1		1	1						
Employees' health and safety*		1					1	1				
Improve working conditions*												
<b>ACTIONS:</b>												
Support for sport (e.g. cricket tournaments, gym, cafeteria, swimming facility) or recreation (e.g. family functions, musical nights)		1							1		1	
Support for rehabilitation										1		
Measurements												
Training or advice on health issues				1		1			1			
Support to employees with mental problems												
Health screening, follow up							1	1	1			
G.P (general practitioner ) services									1			
Action against drugs or alcohol												
Special doctor services												
Special attention paid to ageing people												
Surveys on stress												
Health and safety training (e.g. firefighting drills)		1							1			
Occupational health and safety system audited by third parties (OSHAS 180001)	1											
Analysing the causes of work-related accidents and safety surveys												
Improving the workplace ergonomics												
Improving the hygiene at work												
Improving the management of threat and violence												



Health and safety awareness programmes ( e.g. publish monthly health and safety bulletins, celebrating no smoking day, health and safety videos, safety presentations )*	1			1		1	1	1			
<b>PERFORMANCE:</b>											
Rate of absence							1			1	
Occupational health costs											
Perception measures (qualitative or quantitative) (e.g. external health and safety ratings)	1								1		
Work organisation and community (disclosed in context of employee well-being)											
Number of occupational injuries	1										
Number of employees trained*						1			1		
Occupational health and safety awards*						1			1	1	
Number of man hours achieved*		1			1						
<b>5 Measurement of Policies:</b>											<b>Included</b>
<b>AIMS/INTENTIONS:</b>											
To measure the success the of HRM related policies and process											
<b>ACTIONS:</b>											
Working atmosphere or job satisfaction survey											
Other internal survey											
External survey											
<b>PERFORMANCE:</b>											
Staff turnover (or attrition rate)											
Breakdown by length of employment contract											
Average length of employment contract											
Standards (qualitative or quantitative)											
Awards (qualitative or quantitative)								1			
Working atmosphere or job satisfaction index											
Ethical funds (with or without reference to HRM, qualitative or quantitative)											
Retention rate											
<b>6 Employment Policy:</b>											<b>Included</b>
<b>AIMS/INTENTIONS:</b>											
Positive employer image											

<b>ACTIONS:</b>													
Traineeships for students (i.e. internships/apprenticeships)		1										1	
Summer and part-time employment of students													
Company has offered training and employment for unemployed people													
Company has offered training and employment for ageing people													
Company has offered training and employment for people with disabilities													
Company has offered training and employment for immigrants or ethnic minorities													
Company has offered training and employment for low skilled people													
<b>PERFORMANCE:</b>													
Number of new recruits												1	
Number of traineeships		1										1	
Results of external employer image surveys (qualitative or quantitative)													
Number of ageing new recruits													
Number of new recruits with disabilities													
Number of new recruits from immigrants/ethnic minorities													
<b>7 Security in Employment:</b>													<b>Excluded</b>
<b>AIMS/INTENTIONS:</b>													
Long, secure contracts													
<b>ACTIONS:</b>													
Reductions in workforce for economic or reasons related to production (all disclosures)													
Proactive measures to avoid redundancies (out of job)													
Professional support for redundant employees													
<b>PERFORMANCE:</b>													
Breakdown by part-time or full-time													
Breakdown by fixed term or regular													
Number of internal rotations													
Number of redundancies or dismissals													
Number of other temporary employees													

	Perception measures (qualitative or quantitative)												
<b>8 Equal Opportunities:</b>													<b>Included</b>
<b>AIMS/INTENTIONS:</b>													
	Principle of non-discrimination/equal opportunities/diversity		1					1		1		1	
<b>ACTIONS:</b>													
	Equal opportunity plan											1	
	Diversity or equal opportunity training							1				1	
	Attention paid to equality in wages												
	Measures to facilitate the adaptation of immigrants or ethnic minorities												
	Code of practice for sexual harassment												
	Code of practice for bullying (aggressive behaviour)												
	Code of practice for employees respect*									1		1	
	Surveys on equality												
	Targeted recruitment in order to balance gender segregation							1					
	Measures to facilitate the adaptation of people with disabilities												
	Engagement of third party (outside agency) in the recruitment process*	1											
<b>PERFORMANCE:</b>													
	Breakdown by age												
	Average age												
	Breakdown by gender							1					
	Number of women in management positions												
	Number of immigrants or employees from ethnic minorities												
	Number of people with disabilities												
	Number of people with disabilities in management positions												
	Number of people with ethnic background in management positions												
	Number of legal non-compliances with legislation												
	Workforce profile compared to the community profile for travel to workforce (qualitative or quantitative)												
	Perception measures (qualitative or quantitative)												

<b>9 Work-life Balance:</b>													<b>Included</b>
<b>AIMS/INTENTIONS:</b>													
	Principle of work-life balance							1					
<b>ACTIONS:</b>													
	Flexitime							1					
	Support for childcare (e.g. day care centre)							1					
	Better maternity or parental leave advantages than stipulated in law and collective agreements												
	Encouragement for men to use their family leave options												
	Complementary training for those returning from family leave												
	Survey on work-life balance												
	Concierge (attendant) services												
<b>PERFORMANCE:</b>													
	Perception measures (qualitative or quantitative)												
<b>C. PRODUCTS AND CONSUMERS DISCLOSURE:</b>													
<b>1 Product Developments:</b>													<b>Included</b>
<b>AIMS/INTENTIONS:</b>													
	Develop or improve company's products		1			1	1						
<b>ACTIONS:</b>													
	Development related to the company's products including Packaging												
	Making containers reusable												
	Research and developments related to product developments					1							
<b>PERFORMANCE:</b>													
	Amount/percentage figure of research and development expenditure												
	Amount/percentage figure showing research and development benefits												
<b>2 Product Safety:</b>													
<b>AIMS/INTENTIONS:</b>													
	Improve product safety		1			1				1			
<b>ACTIONS:</b>													
	Products meet applicable standards (i.e. ISO product standards)					1						1	
	Actions taken to make products safe for consumers					1							
	Conducting research on												

company products												
Sanitary procedures improved in the processing and manufacturing of products					1							
Educating people about companies products' negative impacts					1				1			
<b>PERFORMANCE:</b>												
Product safety awards												
<b>3 Product Quality:</b>												<b>Included</b>
<b>AIMS/INTENTIONS:</b>												
Improve/maintain product quality	1	1		1	1	1		1		1		
<b>ACTIONS:</b>												
Product quality audited by third party (i.e. ISO 9000)								1		1		
<b>PERFORMANCE:</b>												
Firm's product quality awards/prizes												
<b>4 Consumers' Relations**:</b>												
<b>AIMS/INTENTIONS:</b>												
Customers' relationship building*									1			
Customers' satisfaction*	1											
<b>ACTIONS:</b>												
Customers satisfaction survey												
External survey												
Customers complaints system						1	1					
Education about company's products (e.g. properly labelled, advertised, and communicated)*						1	1					
<b>PERFORMANCE:</b>												
Number of customers complaints												
Customers satisfaction results (similar to perception measure used in Vuontisjarvi (2006))								1				
Number of consumers' educated*												
<b>D. COMMUNITY INVOLVEMENT DISCLOSURE:</b>												
<b>1 Support for Education/training***:</b>												<b>Included</b>
<b>AIMS/INTENTIONS:</b>												
To promote public education	1	1		1		1	1	1		1		
<b>ACTIONS:</b>												
Aiding medical research												
Sponsoring educational conferences and seminars												

Funding scholarship (i.e. need based or merit based) programmes or activities							1	1		1	
Running personality development/stress management workshops*											
Establishing schools*	1	1		1	1		1	1		1	
Supporting NGOs providing education*	1	1				1		1			
Organize vocational courses/trainings (e.g. driving courses, mobile repairing, home appliances repairing)*	1					1	1				
Offering free water, electricity, and gas facility to the schools*	1									1	
Establishing/running educational projects with NGOs*	1						1		1		
<b>PERFORMANCE:</b>											
Amount of money spent on education*											
Amount of sponsorship*				1	1	1	1	1		1	
Number of scholarship*							1	1			
Number of students benefited*	1	1		1	1	1			1		
Number of students trained*	1					1					
Number of school built*											
<b>2 Support for Art and Culture:</b>											<b>Included</b>
<b>AIMS/INTENTIONS:</b>											
To promote a country's arts and culture											
<b>ACTIONS:</b>											
Sponsoring art exhibitions											
Sponsoring national pride campaigns											
Support government sponsored campaigns											
Sponsoring cultural events*											
Supporting social evenings (i.e. musical nights for the community excluding a company's employees)*											
Contesting arts events*											
<b>PERFORMANCE:</b>											
Amount of sponsorships											
Number of persons benefited from the events*											
<b>3 Support for Public Health***:</b>											<b>Included</b>
<b>AIMS/INTENTIONS:</b>											
To make the public healthy	1	1	1		1		1	1		1	
<b>ACTIONS:</b>											
Sponsoring public health			1	1	1						

projects												
Sponsoring medical trusts*		1			1							
Conducting research on road accidents*												
Running health awareness programmes (e.g. HIV/AIDS awareness programmes, blood screening camps, safety lectures)*		1	1			1	1		1	1		
Sponsoring national safety conferences*												
Establish health institutions (i.e. hospitals and health care units)*	1			1			1	1	1	1		
Supporting NGOs providing healthcare facilities*					1		1	1				
<b>PERFORMANCE:</b>												
Amount of money spent on public health programmes*	1	1					1				1	
Number of people benefited from health projects/ awareness programmes *	1	1			1				1	1		
<b>4 Sponsoring Sporting or Recreational Projects***:</b>												<b>Included</b>
<b>AIMS/INTENTIONS:</b>												
To promote sports in the country												
<b>ACTIONS:</b>												
Sponsoring sports events (i.e. tennis championship, squash championship, cricket tournament, and swimming competition)*	1	1										
<b>PERFORMANCE:</b>												
Amount of money spent on sports activities*												
Number of teams participated*												
<b>5 Other Community Activities***:</b>												<b>Included</b>
<b>AIMS/INTENTIONS:</b>												
To develop/uplift community (facilities or infrastructure)				1	1		1		1	1		
To support established community activities, events, or organizations								1				
<b>ACTIONS:</b>												
Support for the development of airports*												
Installation of clean drinking water plants*		1		1			1		1	1		
Development of parks, roads, and bridges*				1								
Development of union council offices*												
Donation of cash							1				1	
Donation of company products						1	1	1			1	

Donations of employees' time						1	1				
Opening companies' facilities to the public											
Offering free water, gas facility to the mosques of the vicinity*										1	
Provide maintenance facility to the mosques*											
Development of rehabilitation centres (for flood/earth affecties or prisoners)*		1					1	1	1	1	
Providing relief goods to flood/earth affecties*	1	1		1	1	1	1	1	1	1	
<b>PERFORMANCE:</b>											
Amount of money spent on building community facilities*							1				
Number of (or amount spent on) cleaning drinking plants installed*		1									
Amount of donation*	1					1	1				
Quantity of products donated*						1					
Amount of employees time*											
Number of people benefited*				1			1		1	1	
Number of rehabilitation centres built*		1									



## Appendix 6: Final CSR disclosure instrument- CSR disclosure dimensions, themes, and their indicators

Company's Name: Publishing year: 2008 ☐ 2011 ☐  
 Company's Sector: Company's Products:  
 Company's Code: Total Score:  
 Coder's Name: ☐ Waris Ali ☐ Asia Saeed

Disclosure Themes and Indicators	Where to locate information	Identification of indicator	Score
<b>E. ENVIRONMENTAL DISCLOSURE:</b>			
<b>1. Environmental Pollution:</b>			
AIMS/INTENTIONS:			
<input type="checkbox"/> Pollution abatement	V <sup>110</sup> /M <sup>111</sup> /CV <sup>112</sup> /S	<input type="checkbox"/>	
<input type="checkbox"/> No emissions*	E <sup>113</sup>	<input type="checkbox"/>	
ACTIONS:			
<input type="checkbox"/> Research and development for pollution abatement	DR <sup>115</sup> /CSRS <sup>116</sup> /ES <sup>117</sup>	<input type="checkbox"/>	
<input type="checkbox"/> Compliance with environmental laws and regulations (i.e. ISO 14000, GOTS <sup>114</sup> )		<input type="checkbox"/>	
<input type="checkbox"/> Repair of damage to the environment		<input type="checkbox"/>	
<input type="checkbox"/> Anti-litter campaigns (i.e. beach cleaning campaign/systems)		<input type="checkbox"/>	
<input type="checkbox"/> Trees plantation related to pollution reduction*		<input type="checkbox"/>	
<input type="checkbox"/> Installation of new equipments (e.g. dust collection equipment)*		<input type="checkbox"/>	
<input type="checkbox"/> Noise education*		<input type="checkbox"/>	
<input type="checkbox"/> Providing protective gadgets from noise*		<input type="checkbox"/>	
<input type="checkbox"/> Environmental management system in place*		<input type="checkbox"/>	
PERFORMANCE:			
<input type="checkbox"/> Research and development expenditure for pollution abatement	DR/CSRS/ES	<input type="checkbox"/>	
<input type="checkbox"/> Percentage of pollution reduction		<input type="checkbox"/>	
<input type="checkbox"/> Amount spent on trees plantation*		<input type="checkbox"/>	
<input type="checkbox"/> Number of trees planted*		<input type="checkbox"/>	
<input type="checkbox"/> Environmental awards ( e.g. AEEA Awards, NFEH, ACCA-WWF)*		<input type="checkbox"/>	
<input type="checkbox"/> Amount Spent*		<input type="checkbox"/>	
<b>2. Conservation of Natural Resources<sup>118</sup>:</b>			
AIMS/INTENTIONS:			
<input type="checkbox"/> Conservation of natural resources	V/M/CV/SE	<input type="checkbox"/>	
ACTIONS:			
<input type="checkbox"/> Recycling glass	CSRS/ES	<input type="checkbox"/>	
<input type="checkbox"/> Recycling metal		<input type="checkbox"/>	

<sup>110</sup> Vision statement

<sup>111</sup> Mission statement

<sup>112</sup> Core values

<sup>113</sup> Statement of ethics

<sup>114</sup> Global organic textile standard

<sup>115</sup> Director's report

<sup>116</sup> Corporate social responsibility section

<sup>117</sup> Environment section

<sup>118</sup> Hackston and Milne (1996) treated conservation of natural resources as indicator of environmental pollution theme under environmental disclosure category. However 5 out of 10 sampled companies reported information about this indicator. That's why this indicator is considered a separate theme here. However, its definition was adopted from Hackston and Milne (1996). Conservation of natural resources included recycling glass, metal, oil, water, and paper (Hackston and Milne, 1996).

<input type="checkbox"/> Recycling plastic*		<input type="checkbox"/>
<input type="checkbox"/> Recycling oil		<input type="checkbox"/>
<input type="checkbox"/> Recycling water (e.g. installation of water recycling system)		<input type="checkbox"/>
<input type="checkbox"/> Recycling paper		<input type="checkbox"/>
<input type="checkbox"/> Use recycled material		<input type="checkbox"/>
<input type="checkbox"/> Efficiently using material resources in manufacturing process (by changing or adopting procedures)		<input type="checkbox"/>
<input type="checkbox"/> Installation/up gradation of system (e.g. installation of gas and heat recovery system)*		<input type="checkbox"/>
<b>PERFORMANCE:</b>		
<input type="checkbox"/> %age or amount of glass recycled or used or both	DR/C	<input type="checkbox"/>
<input type="checkbox"/> %age or amount of metal recycled or used or both	SRS/ES	<input type="checkbox"/>
<input type="checkbox"/> %age or amount of plastic recycled or used or both*		<input type="checkbox"/>
<input type="checkbox"/> %age or amount of oil recycled or used or both		<input type="checkbox"/>
<input type="checkbox"/> %age or amount of water recycled or used or both		<input type="checkbox"/>
<input type="checkbox"/> %age or amount of paper recycled or used or both		<input type="checkbox"/>
<input type="checkbox"/> Amount (or %age) of gas saved*		<input type="checkbox"/>
<input type="checkbox"/> Amount of other natural resources saved*		<input type="checkbox"/>
<b>3. Energy:</b>		
<b>AIMS/INTENTIONS:</b>		
<input type="checkbox"/> Conservation of energy in the conduct of business operations	V/M/CV/SE	<input type="checkbox"/>
<b>ACTIONS:</b>		
<input type="checkbox"/> Using energy more efficiently during the manufacturing process	DR/CSRS/ES	<input type="checkbox"/>
<input type="checkbox"/> Utilizing waste material for energy production		<input type="checkbox"/>
<input type="checkbox"/> Conducting research to improve energy efficiency		<input type="checkbox"/>
<input type="checkbox"/> Voicing the company concerns about energy shortage (i.e. energy shortage awareness programmes)		<input type="checkbox"/>
<input type="checkbox"/> Running energy saving programmes for employees (i.e. educating employees to turn off the unnecessary lights and computers)*		<input type="checkbox"/>
<input type="checkbox"/> Use renewable energy (e.g. wind energy, solar energy, energy from wasted heat)*		<input type="checkbox"/>
<input type="checkbox"/> Installation/up gradation of system to save energy (e.g. rich reflux re-boiler)*		<input type="checkbox"/>
<b>PERFORMANCE:</b>		
<input type="checkbox"/> Energy savings result from product recycling	DR/CSRS/ES	<input type="checkbox"/>
<input type="checkbox"/> Amount of increased energy efficiency of products		<input type="checkbox"/>
<input type="checkbox"/> Received award on energy saving (conservation) programmes		<input type="checkbox"/>
<input type="checkbox"/> Amount of money spent on energy conservation programmes		<input type="checkbox"/>
<input type="checkbox"/> Amount of energy saved*		<input type="checkbox"/>
<b>4. Aesthetics:</b>		
<b>AIMS/INTENTIONS:</b>		
<input type="checkbox"/> Beautify the environment	V/M/CV/SE	<input type="checkbox"/>
<input type="checkbox"/> To become green factory*		<input type="checkbox"/>
<b>ACTIONS:</b>		
<input type="checkbox"/> Designing facilities harmonious to the environment	DR/CSRS/ES	<input type="checkbox"/>
<input type="checkbox"/> Contribution in terms of cash or art/sculptures to the beauty of the environment		<input type="checkbox"/>
<input type="checkbox"/> Restoring historical buildings and structures		<input type="checkbox"/>
<input type="checkbox"/> Sponsoring gardening and spring flower competition*		<input type="checkbox"/>
<input type="checkbox"/> Planting trees (not related pollution reduction)*		<input type="checkbox"/>
<b>PERFORMANCE:</b>		
<input type="checkbox"/> Amount of cash spent on the beauty of the environment	DR/CSRS/ES	<input type="checkbox"/>
<input type="checkbox"/> Number of building restored and restructured*		<input type="checkbox"/>
<input type="checkbox"/> Number of trees planted*		<input type="checkbox"/>
<input type="checkbox"/> Amount spent of trees plantation*		<input type="checkbox"/>
<b>5. Environment Other:</b>		
<b>AIMS/INTENTIONS:</b>		
<input type="checkbox"/> Educate employees on environmental issues	V/M/CV/SE/CSRS	<input type="checkbox"/>
<input type="checkbox"/> Wildlife conservation*		<input type="checkbox"/>
<input type="checkbox"/> General awareness*		<input type="checkbox"/>
<input type="checkbox"/> Environmental protection (in general)*		<input type="checkbox"/>
<b>ACTIONS:</b>		

<input type="checkbox"/> Environmental awareness programs for employees	DR/CSRS/ES	<input type="checkbox"/>
<input type="checkbox"/> Undertake environmental impact studies to monitor the company's impact on the environment		<input type="checkbox"/>
<input type="checkbox"/> General awareness programmes (e.g. earth day celebration, world environmental day)*		<input type="checkbox"/>
<b>PERFORMANCE:</b>		
<input type="checkbox"/> Amount of money spent on environmental training of employees*	DR/CSRS/ES	<input type="checkbox"/>
<input type="checkbox"/> Number of employees received environmental training*		<input type="checkbox"/>
<input type="checkbox"/> Amount of money spent on wild life conservation*		<input type="checkbox"/>
<b>F. HUMAN RESOURCE DISCLOSURE:</b>		
<b>1. Training and Staff Development:</b>		
<b>AIMS/INTENTIONS:</b>		
<input type="checkbox"/> Life-long learning or continuous learning	V/M/CV/SE	<input type="checkbox"/>
<input type="checkbox"/> Employability of an employee		<input type="checkbox"/>
<input type="checkbox"/> Provide career development opportunities*		<input type="checkbox"/>
<b>ACTIONS:</b>		
<input type="checkbox"/> Training aiming at achieving formal qualifications	DR/CSRS/EmpS <sup>119</sup>	<input type="checkbox"/>
<input type="checkbox"/> Development discussions		<input type="checkbox"/>
<input type="checkbox"/> In-house/outside trainings*		<input type="checkbox"/>
<input type="checkbox"/> Abroad training*		<input type="checkbox"/>
<input type="checkbox"/> Job rotation		<input type="checkbox"/>
<input type="checkbox"/> Competence appraisals		<input type="checkbox"/>
<input type="checkbox"/> Personal development plans		<input type="checkbox"/>
<input type="checkbox"/> Support for employees_ studies on their own accord		<input type="checkbox"/>
<input type="checkbox"/> Measures to integrate low skilled employees		<input type="checkbox"/>
<input type="checkbox"/> Seminars and workshops*		<input type="checkbox"/>
<b>PERFORMANCE:</b>		
<input type="checkbox"/> Cost of training	DR/EmpS/CN <sup>120</sup>	<input type="checkbox"/>
<input type="checkbox"/> Time spent for training		<input type="checkbox"/>
<input type="checkbox"/> Perception measures (qualitative or quantitative)		<input type="checkbox"/>
<input type="checkbox"/> Number of employees participating in training initiatives		<input type="checkbox"/>
<b>2. Pay and Benefits:<sup>121</sup></b>		
<b>AIMS/INTENTIONS:</b>		
<input type="checkbox"/> Just, equal pay	V/M/CV/SE	<input type="checkbox"/>
<input type="checkbox"/> Reward according to their abilities and performance*		<input type="checkbox"/>
<b>ACTIONS:</b>		
<input type="checkbox"/> Incentive schemes (results or performance based pay etc. for both employees and directors)	DR/EmpS	<input type="checkbox"/>
<input type="checkbox"/> Option schemes (for both employees and directors)	POS <sup>122</sup>	<input type="checkbox"/>
<input type="checkbox"/> Shares and options owned by individual directors		<input type="checkbox"/>
<input type="checkbox"/> Personnel fund		<input type="checkbox"/>
<input type="checkbox"/> providing assistance or guidance to employees who are in the process of retiring or who have been made redundant;**		<input type="checkbox"/>
<input type="checkbox"/> Providing staff accommodation/staff home ownership schemes;**		<input type="checkbox"/>
<input type="checkbox"/> Providing recreational activities/facilities**	NTFS <sup>123</sup>	<input type="checkbox"/>
<input type="checkbox"/> Employees' pension and provident funds plans*		<input type="checkbox"/>
<input type="checkbox"/> Education support for employees' children*		<input type="checkbox"/>
<b>PERFORMANCE:</b>		
<input type="checkbox"/> Perception measures (qualitative or quantitative)	DR/CSRS/EmpS/C	<input type="checkbox"/>
<input type="checkbox"/> Average wage	N	<input type="checkbox"/>

<sup>119</sup> Employees' section

<sup>120</sup> Company notes

<sup>121</sup> Pay and benefits theme does not include disclosures made to comply with accounting regulations such as: salaries and wages, other employees cost and salaries, and pension arrangement for directors (consistent with Vuontisjarvi, 2006).

<sup>122</sup> Pattern of shareholdings

<sup>123</sup> Notes to financial statements

<input type="checkbox"/> Spread of wages		<input type="checkbox"/>
<input type="checkbox"/> Pay and conditions compared against local equivalent averages (qualitative or quantitative)		<input type="checkbox"/>
<input type="checkbox"/> Amount of pension and provident fund*	NTFS	<input type="checkbox"/>
<input type="checkbox"/> Number of employees' children benefited*		<input type="checkbox"/>
<input type="checkbox"/> Performance awards (e.g. gold medals, long service awards)*		<input type="checkbox"/>
<b>3. Participation and Staff Involvement:</b>		
AIMS/INTENTIONS:		
<input type="checkbox"/> Principle of open or two way communication	V/M/CV/SE	<input type="checkbox"/>
<input type="checkbox"/> Foster team work and employees participation*		<input type="checkbox"/>
ACTIONS:		
<input type="checkbox"/> Representation of personnel in the company's administration	DR/CSRS/EmpS/C	<input type="checkbox"/>
<input type="checkbox"/> Teams	N	<input type="checkbox"/>
<input type="checkbox"/> A co-operative body		<input type="checkbox"/>
<input type="checkbox"/> Trade-unions, collective agreements		<input type="checkbox"/>
<input type="checkbox"/> A suggestion scheme		<input type="checkbox"/>
<input type="checkbox"/> Intranet		<input type="checkbox"/>
<input type="checkbox"/> Work-force meetings		<input type="checkbox"/>
<input type="checkbox"/> A personnel newsletter		<input type="checkbox"/>
<input type="checkbox"/> A personnel guide		<input type="checkbox"/>
<input type="checkbox"/> Informing personnel about corporate strategy		<input type="checkbox"/>
<input type="checkbox"/> Immediate supervisor as a communication channel		<input type="checkbox"/>
<input type="checkbox"/> E-mail to the managing director		<input type="checkbox"/>
<input type="checkbox"/> Anonymous complaint points		<input type="checkbox"/>
<input type="checkbox"/> Informing personnel about financial performance		<input type="checkbox"/>
<input type="checkbox"/> Internal staff letters*		<input type="checkbox"/>
PERFORMANCE:		
<input type="checkbox"/> Perception measures (qualitative or quantitative)	DR/CSRS/EmpS	<input type="checkbox"/>
<input type="checkbox"/> Number of days or losses related to industrial action		<input type="checkbox"/>
<input type="checkbox"/> Ratio of recognised trade-unions to existing trade unions		<input type="checkbox"/>
<b>4. Health and Safety and Individual Well-being:</b>		
AIMS/INTENTIONS:		
<input type="checkbox"/> Stress on preventive activities (e.g. occupational health and safety)	V/M/CV/SE	<input type="checkbox"/>
<input type="checkbox"/> Retaining the personnel working capacity up to proper retirement age		<input type="checkbox"/>
<input type="checkbox"/> zero accidents		<input type="checkbox"/>
<input type="checkbox"/> Employees' health and safety*		<input type="checkbox"/>
<input type="checkbox"/> Improve working conditions*		<input type="checkbox"/>
ACTIONS:		
<input type="checkbox"/> Support for sport (e.g. cricket tournaments, gym, cafeteria, swimming facility) or recreation (e.g. family functions, musical nights)	DR/CSRS/EmpS	<input type="checkbox"/>
<input type="checkbox"/> Support for rehabilitation		<input type="checkbox"/>
<input type="checkbox"/> Measurements		<input type="checkbox"/>
<input type="checkbox"/> Training or advice on health issues		<input type="checkbox"/>
<input type="checkbox"/> Support to employees with mental problems		<input type="checkbox"/>
<input type="checkbox"/> Health screening, follow up		<input type="checkbox"/>
<input type="checkbox"/> G.P (general practitioner <sup>124</sup> ) services		<input type="checkbox"/>
<input type="checkbox"/> Action against drugs or alcohol		<input type="checkbox"/>
<input type="checkbox"/> Special doctor services		<input type="checkbox"/>
<input type="checkbox"/> Special attention paid to ageing people		<input type="checkbox"/>
<input type="checkbox"/> Surveys on stress		<input type="checkbox"/>
<input type="checkbox"/> Health and safety training (e.g. fire fighting drills)		<input type="checkbox"/>
<input type="checkbox"/> Occupational health and safety system audited by third parties (OSHAS 180001)		<input type="checkbox"/>
<input type="checkbox"/> Analysing the causes of work-related accidents and safety surveys		<input type="checkbox"/>
<input type="checkbox"/> Improving the workplace ergonomics		<input type="checkbox"/>
<input type="checkbox"/> Improving the hygiene at work		<input type="checkbox"/>
<input type="checkbox"/> Improving the management of threat and violence		<input type="checkbox"/>
<input type="checkbox"/> Health and safety awareness programmes ( e.g. publish monthly		<input type="checkbox"/>

<sup>124</sup>a medical practitioner who treats acute and chronic illnesses and provides preventive care and health education for all ages

health and safety bulletins, celebrating no smoking day, health and safety videos, safety presentations )*		
<input type="checkbox"/> Installing health and safety detective equipments*		<input type="checkbox"/>
<b>PERFORMANCE:</b>		
<input type="checkbox"/> Rate of absence	DR/CSRS/EmpS/C	<input type="checkbox"/>
<input type="checkbox"/> Occupational health costs	N	<input type="checkbox"/>
<input type="checkbox"/> Perception measures (qualitative or quantitative) (e.g. external health and safety ratings)		<input type="checkbox"/>
<input type="checkbox"/> Work organisation and community (disclosed in context of employee well-being)		<input type="checkbox"/>
<input type="checkbox"/> Number of occupational injuries		<input type="checkbox"/>
<input type="checkbox"/> Number of employees trained*		<input type="checkbox"/>
<input type="checkbox"/> Occupational health and safety awards*		<input type="checkbox"/>
<input type="checkbox"/> Number of man hours achieved*		<input type="checkbox"/>
<b>5. Measurement of Policies:</b>		
<b>AIMS/INTENTIONS:</b>		
<input type="checkbox"/> To measure the success the of HRM related policies and process	V/M/CV/SE	<input type="checkbox"/>
<b>ACTIONS:</b>		
<input type="checkbox"/> Working atmosphere or job satisfaction survey		<input type="checkbox"/>
<input type="checkbox"/> Other internal survey		<input type="checkbox"/>
<input type="checkbox"/> External survey		<input type="checkbox"/>
<b>PERFORMANCE:</b>		
<input type="checkbox"/> Staff turnover (or attrition rate)	DR/CSRS/EmpS	<input type="checkbox"/>
<input type="checkbox"/> Breakdown by length of employment contract		<input type="checkbox"/>
<input type="checkbox"/> Average length of employment contract		<input type="checkbox"/>
<input type="checkbox"/> Standards (qualitative or quantitative)		<input type="checkbox"/>
<input type="checkbox"/> Awards (qualitative or quantitative)		<input type="checkbox"/>
<input type="checkbox"/> Working atmosphere or job satisfaction index		<input type="checkbox"/>
<input type="checkbox"/> Ethical funds (with or without reference to HRM, qualitative or quantitative)		<input type="checkbox"/>
<input type="checkbox"/> Retention rate		<input type="checkbox"/>
<b>6. Employment Policy:</b>		
<b>AIMS/INTENTIONS:</b>		
<input type="checkbox"/> Positive employer image	V/M/CV/SE	<input type="checkbox"/>
<b>ACTIONS:</b>		
<input type="checkbox"/> Traineeships for students (i.e. internships/apprenticeships)	DR/CSRS/EmpS	<input type="checkbox"/>
<input type="checkbox"/> Summer and part-time employment of students		<input type="checkbox"/>
<input type="checkbox"/> Company has offered training and employment for unemployed people		<input type="checkbox"/>
<input type="checkbox"/> Company has offered training and employment for ageing people		<input type="checkbox"/>
<input type="checkbox"/> Company has offered training and employment for people with disabilities		<input type="checkbox"/>
<input type="checkbox"/> Company has offered training and employment for immigrants or ethnic minorities		<input type="checkbox"/>
<input type="checkbox"/> Company has offered training and employment for low skilled people		<input type="checkbox"/>
<b>PERFORMANCE:</b>		
<input type="checkbox"/> Number of new recruits	DR/CSRS/EmpS	<input type="checkbox"/>
<input type="checkbox"/> Number of traineeships		<input type="checkbox"/>
<input type="checkbox"/> Results of external employer image surveys (qualitative or quantitative)		<input type="checkbox"/>
<input type="checkbox"/> Number of ageing new recruits		<input type="checkbox"/>
<input type="checkbox"/> Number of new recruits with disabilities		<input type="checkbox"/>
<input type="checkbox"/> Number of new recruits from immigrants/ethnic minorities		<input type="checkbox"/>
<b>7. Equal Opportunities:</b>		
<b>AIMS/INTENTIONS:</b>		
<input type="checkbox"/> Principle of non-discrimination/equal opportunities/diversity	V/M/CV/SE	<input type="checkbox"/>
<b>ACTIONS:</b>		
<input type="checkbox"/> Equal opportunity plan	DR/CSRS/EmpS	<input type="checkbox"/>
<input type="checkbox"/> Diversity or equal opportunity training		<input type="checkbox"/>
<input type="checkbox"/> Attention paid to equality in wages		<input type="checkbox"/>
<input type="checkbox"/> Measures to facilitate the adaptation of immigrants or ethnic minorities		<input type="checkbox"/>

<input type="checkbox"/>	Code of practice for sexual harassment		<input type="checkbox"/>
<input type="checkbox"/>	Code of practice for bullying (aggressive behaviour)		<input type="checkbox"/>
<input type="checkbox"/>	Surveys on equality		<input type="checkbox"/>
<input type="checkbox"/>	Targeted recruitment in order to balance gender segregation		<input type="checkbox"/>
<input type="checkbox"/>	Measures to facilitate the adaptation of people with disabilities		<input type="checkbox"/>
<input type="checkbox"/>	Engagement of third party (outside agency) in the recruitment process*		<input type="checkbox"/>
<input type="checkbox"/>	Social accountability standard (e.g. SA 8000)*		<input type="checkbox"/>
<b>PERFORMANCE:</b>			
<input type="checkbox"/>	Breakdown by age	DR/CSRS/EmpS	<input type="checkbox"/>
<input type="checkbox"/>	Average age		<input type="checkbox"/>
<input type="checkbox"/>	Breakdown by gender		<input type="checkbox"/>
<input type="checkbox"/>	Number of women in management positions		<input type="checkbox"/>
<input type="checkbox"/>	Number of immigrants or employees from ethnic minorities		<input type="checkbox"/>
<input type="checkbox"/>	Number of people with disabilities		<input type="checkbox"/>
<input type="checkbox"/>	Number of people with disabilities in management positions		<input type="checkbox"/>
<input type="checkbox"/>	Number of people with ethnic background in management positions		<input type="checkbox"/>
<input type="checkbox"/>	Number of legal non-compliances with legislation		<input type="checkbox"/>
<input type="checkbox"/>	Workforce profile compared to the community profile for travel to workforce (qualitative or quantitative)		<input type="checkbox"/>
<input type="checkbox"/>	Perception measures (qualitative or quantitative)		<input type="checkbox"/>
<input type="checkbox"/>	Number of women working in the factory*		<input type="checkbox"/>
<b>8. Work-life Balance:</b>			
<b>AIMS/INTENTIONS:</b>			
<input type="checkbox"/>	Principle of work-life balance	V/M/CV/SE/CSRS	<input type="checkbox"/>
<b>ACTIONS:</b>			
<input type="checkbox"/>	Flexitime <sup>125</sup>	DR/CSRS/EmpS	<input type="checkbox"/>
<input type="checkbox"/>	Support for childcare (e.g. day care centre)		<input type="checkbox"/>
<input type="checkbox"/>	Better maternity or parental leave advantages than stipulated in law and collective agreements		<input type="checkbox"/>
<input type="checkbox"/>	Encouragement for men to use their family leave options		<input type="checkbox"/>
<input type="checkbox"/>	Complementary training for those returning from family leave		<input type="checkbox"/>
<input type="checkbox"/>	Survey on work-life balance		<input type="checkbox"/>
<input type="checkbox"/>	Concierge (attendant) services		<input type="checkbox"/>
<b>PERFORMANCE:</b>			
<input type="checkbox"/>	Perception measures (qualitative or quantitative)	DR/CSRS/EmpS	<input type="checkbox"/>
<b>G. PRODUCTS AND CONSUMERS DISCLOSURE:</b>			
<b>1. Product Developments:</b>			
<b>AIMS/INTENTIONS:</b>			
<input type="checkbox"/>	Develop or improve company's products	CSRS	<input type="checkbox"/>
<b>ACTIONS:</b>			
<input type="checkbox"/>	Development related to the company's products including Packaging	DR/CSR/PS <sup>126</sup>	<input type="checkbox"/>
<input type="checkbox"/>	Making containers reusable		<input type="checkbox"/>
<input type="checkbox"/>	Research and developments related to product developments		<input type="checkbox"/>
<b>PERFORMANCE:</b>			
<input type="checkbox"/>	Amount/percentage figure of research and development expenditure	DR/CSRS/PS	<input type="checkbox"/>
<input type="checkbox"/>	Amount/percentage figure showing research and development benefits		<input type="checkbox"/>
<b>2. Product Safety:</b>			
<b>AIMS/INTENTIONS:</b>			
<input type="checkbox"/>	Improve product safety	V/M/CV/SE/CSRS	<input type="checkbox"/>
<b>ACTIONS:</b>			
<input type="checkbox"/>	Products meet applicable standards (i.e. ISO 22000 product standards, Oeko Tex 100 in textile sector)	DR/CSRS/PS	<input type="checkbox"/>
<input type="checkbox"/>	Actions taken to make products safe for consumers		<input type="checkbox"/>
<input type="checkbox"/>	Conducting research on company products		<input type="checkbox"/>
<input type="checkbox"/>	Sanitary procedures improved in the processing and manufacturing of		<input type="checkbox"/>

<sup>125</sup> A system of working, in which an employee can choose hours of starting and leaving time each day

<sup>126</sup> Product section

products		
<input type="checkbox"/> Educating people about companies products' negative impacts		<input type="checkbox"/>
<b>PERFORMANCE:</b>		
<input type="checkbox"/> Product safety awards	DR/CSRS/PS	<input type="checkbox"/>
<b>3. Product Quality:</b>		
<b>AIMS/INTENTIONS:</b>		
<input type="checkbox"/> Improve/maintain product quality	V/M/CV/SE/CSRS	<input type="checkbox"/>
<b>ACTIONS:</b>		
<input type="checkbox"/> Product quality audited by third party (i.e. ISO 9000)	DR/CSRS/PS/ Awards section	<input type="checkbox"/>
<input type="checkbox"/> Employ state of art machines and technology*		<input type="checkbox"/>
<b>PERFORMANCE:</b>		
<input type="checkbox"/> Firm's product quality awards/prizes	DR/CSRS/PS/ Awards section	<input type="checkbox"/>
<b>4. Consumers' Relations**:</b>		
<b>AIMS/INTENTIONS:</b>		
<input type="checkbox"/> Customers' relationship building*	V/M/CV/SE/CSRS	<input type="checkbox"/>
<input type="checkbox"/> Customers' satisfaction*		<input type="checkbox"/>
<b>ACTIONS:</b>		
<input type="checkbox"/> Customers satisfaction survey	DR/CSRS/PS	<input type="checkbox"/>
<input type="checkbox"/> External survey		<input type="checkbox"/>
<input type="checkbox"/> Customers complaints system		<input type="checkbox"/>
<input type="checkbox"/> Education about company's products (e.g. properly labelled, advertised, and communicated)*		<input type="checkbox"/>
<input type="checkbox"/> Free Customer Service (especially in automobile)*		<input type="checkbox"/>
<b>PERFORMANCE:</b>		
<input type="checkbox"/> Number of customers complaints	DR/CSRS/PS	<input type="checkbox"/>
<input type="checkbox"/> Customers satisfaction results (Perception measure used Vuontisjarvi, 2006)		<input type="checkbox"/>
<input type="checkbox"/> Number of consumers' educated*		<input type="checkbox"/>
<b>H. COMMUNITY INVOLVEMENT DISCLOSURE:</b>		
<b>1. Support for Education/training***:</b>		
<b>AIMS/INTENTIONS:</b>		
<input type="checkbox"/> To promote public education	V/M/CV/SE/CSRS	<input type="checkbox"/>
<b>ACTIONS:</b>		
<input type="checkbox"/> Aiding medical research	DR/CSRS/CR <sup>127</sup>	<input type="checkbox"/>
<input type="checkbox"/> Sponsoring educational conferences and seminars		<input type="checkbox"/>
<input type="checkbox"/> Funding scholarship (i.e. need based or merit based) programmes or activities		<input type="checkbox"/>
<input type="checkbox"/> Running personality development/stress management workshops*		<input type="checkbox"/>
<input type="checkbox"/> Establishing/renovating schools*		<input type="checkbox"/>
<input type="checkbox"/> Company visit of students*		<input type="checkbox"/>
<input type="checkbox"/> Supporting NGOs providing education*		<input type="checkbox"/>
<input type="checkbox"/> Organize vocational courses/trainings (e.g. driving courses, mobile repairing, home appliances repairing, Technical diplomas)*		<input type="checkbox"/>
<input type="checkbox"/> Offering free water, electricity, and gas facility to the schools*		<input type="checkbox"/>
<input type="checkbox"/> Establishing/running educational projects with NGOs*		<input type="checkbox"/>
<input type="checkbox"/> Supporting educational institutions*		<input type="checkbox"/>
<b>PERFORMANCE:</b>		
<input type="checkbox"/> Amount of money spent on education*	DR/CSRS/CR	<input type="checkbox"/>
<input type="checkbox"/> Amount of sponsorship*		<input type="checkbox"/>
<input type="checkbox"/> Number of scholarship*		<input type="checkbox"/>
<input type="checkbox"/> Number of students benefited*		<input type="checkbox"/>
<input type="checkbox"/> Number of students trained*		<input type="checkbox"/>
<input type="checkbox"/> Number of school built*		<input type="checkbox"/>
<b>2. Support for Art and Culture:</b>		
<b>AIMS/INTENTIONS:</b>		
<input type="checkbox"/> To promote a country's arts and culture	V/M/CV/SE/CSRS	<input type="checkbox"/>
<b>ACTIONS:</b>		
<input type="checkbox"/> Sponsoring art exhibitions	DR/CSRS/CR	<input type="checkbox"/>

<sup>127</sup> Community relations

<input type="checkbox"/> Sponsoring national pride campaigns		<input type="checkbox"/>
<input type="checkbox"/> Support government sponsored campaigns		<input type="checkbox"/>
<input type="checkbox"/> Sponsoring cultural events*		<input type="checkbox"/>
<input type="checkbox"/> Supporting social evenings (i.e. musical nights for the community excluding a company's employees)*		<input type="checkbox"/>
<input type="checkbox"/> Contesting arts events*		<input type="checkbox"/>
<b>PERFORMANCE:</b>		
<input type="checkbox"/> Amount of sponsorships	DR/CSRS/CR	<input type="checkbox"/>
<input type="checkbox"/> Number of persons benefited from the events*		<input type="checkbox"/>
<b>3. Support for Public Health***:</b>		
<b>AIMS/INTENTIONS:</b>		
<input type="checkbox"/> To make the public healthy	V/M/CV/SE/CSRS	<input type="checkbox"/>
<b>ACTIONS:</b>		
<input type="checkbox"/> Sponsoring public health projects	DR/CSRS/CR	<input type="checkbox"/>
<input type="checkbox"/> Sponsoring medical trusts*		<input type="checkbox"/>
<input type="checkbox"/> Conducting research on road accidents*		<input type="checkbox"/>
<input type="checkbox"/> Running health awareness programmes (e.g. HIV/AIDS awareness programmes, blood screening camps, safety lectures)*		<input type="checkbox"/>
<input type="checkbox"/> Sponsoring national safety conferences*		<input type="checkbox"/>
<input type="checkbox"/> Establish health institutions (i.e. hospitals and health care units)*		<input type="checkbox"/>
<input type="checkbox"/> Supporting NGOs providing healthcare facilities*		<input type="checkbox"/>
<b>PERFORMANCE:</b>		
<input type="checkbox"/> Amount of money spent on public health programmes*	DR/CSRS/CR	<input type="checkbox"/>
<input type="checkbox"/> Number of people benefited from health projects/ awareness programmes *		<input type="checkbox"/>
<b>4. Sponsoring Sporting or Recreational Projects***:</b>		
<b>AIMS/INTENTIONS:</b>		
<input type="checkbox"/> To promote sports in the country	V/M/CV/SE/CSRS	<input type="checkbox"/>
<b>ACTIONS:</b>		
<input type="checkbox"/> Sponsoring sports events (i.e. tennis championship, squash championship, cricket tournament, and swimming competition)*	DR/CSRS/CR	<input type="checkbox"/>
<b>PERFORMANCE:</b>		
<input type="checkbox"/> Amount of money spent on sports activities*	DR/CSRS/CR	<input type="checkbox"/>
<input type="checkbox"/> Number of teams participated*		<input type="checkbox"/>
<b>5. Other Community Activities***:</b>		
<b>AIMS/INTENTIONS:</b>		
<input type="checkbox"/> To develop/uplift community (facilities or infrastructure)	V/M/CV/SE/CSRS	<input type="checkbox"/>
<input type="checkbox"/> To support established community activities, events, or organizations		<input type="checkbox"/>
<b>ACTIONS:</b>		
<input type="checkbox"/> Support for the development of airports*	DR/CSRS/CR	<input type="checkbox"/>
<input type="checkbox"/> Installation of clean drinking water plants*		<input type="checkbox"/>
<input type="checkbox"/> Providing clean drinking water*		<input type="checkbox"/>
<input type="checkbox"/> Development of parks, roads, culverts, and bridges*		<input type="checkbox"/>
<input type="checkbox"/> Developing and maintaining sewerage and drainage system*		<input type="checkbox"/>
<input type="checkbox"/> Development of union council offices*		<input type="checkbox"/>
<input type="checkbox"/> Providing support to the local police*		<input type="checkbox"/>
<input type="checkbox"/> Donation of cash		<input type="checkbox"/>
<input type="checkbox"/> Donation of company products		<input type="checkbox"/>
<input type="checkbox"/> Donations of employees' time		<input type="checkbox"/>
<input type="checkbox"/> Opening companies' facilities to the public		<input type="checkbox"/>
<input type="checkbox"/> Offering free water, gas facility to the mosques of the vicinity*		<input type="checkbox"/>
<input type="checkbox"/> Provide maintenance facility to the mosques*		<input type="checkbox"/>
<input type="checkbox"/> Development of rehabilitation centres (for flood/earth affecties or prisoners)*		<input type="checkbox"/>
<input type="checkbox"/> Providing relief goods to flood/earth affecties*		<input type="checkbox"/>
<b>PERFORMANCE:</b>		
<input type="checkbox"/> Quantitative evidence of development of parts, roads, and bridges*	DR/CSRS/CR	<input type="checkbox"/>
<input type="checkbox"/> Amount of money spent on building community facilities*		<input type="checkbox"/>



<input type="checkbox"/> Number of (or amount spent on) cleaning drinking plants installed*	NTFS <sup>128</sup>	<input type="checkbox"/>
<input type="checkbox"/> Amount of donation*		<input type="checkbox"/>
<input type="checkbox"/> Quantity of products donated*		<input type="checkbox"/>
<input type="checkbox"/> Amount of employees time*		<input type="checkbox"/>
<input type="checkbox"/> Number of people benefited*		<input type="checkbox"/>
<input type="checkbox"/> Number of rehabilitation centres built*		<input type="checkbox"/>
<input type="checkbox"/> PCP awards*		
<p>E. GENERAL DISCLOSURE: Includes disclosure which will not be covered by above CSR disclosure categories: environment, human resource, products and consumers, and community involvement disclosure. For example: Vendors/partners training and education.</p> <p>AIMS/INTENTIONS:</p> <p><input type="checkbox"/> General CSR information (for quantitative disclosure)*</p> <p><input type="checkbox"/> Core Values*</p> <p><input type="checkbox"/> Statement of Ethics and Business Practices*</p> <p><input type="checkbox"/> Code of Ethics*</p>		
<p>ACTIONS:</p> <p><input type="checkbox"/> Training to vendors and partners (i.e. suppliers)</p>		
<p>PERFORMANCE:</p> <p><input type="checkbox"/> Number of person trained*</p> <p><input type="checkbox"/> Amount spent on training of vendors and partners*</p> <p><input type="checkbox"/> CSR awards*</p>		
<p><b>INDEPENDENT VARIABLES:</b></p> <p><b>COMPANY CHARACTERISTICS:</b></p> <p>Total Assets (,000): .....</p> <p>Total equity (,000): .....</p> <p>Total Sales (,000): .....</p> <p>Foreign Sales (,000)=.....</p> <p>Taxes (,000): .....</p> <p>Net Income (Net profit after taxes) (,000): .....</p>		
<p><b>Advertising Fee</b> (advertisement and/or sales promotion in distribution cost/administrative expenses/operating expenses section of annual report)</p> <p>Advertisement Expenses (,000)= .....</p> <p>OR/AND Sales promotion (,000)= .....</p>		
<p><b>Industry Sensitivity</b></p> <p><b>Environmental Sensitivity</b> (If a company is operating in industry having SIC code 28XX excluding 283X, 22XX, 26XX, and 2911)</p> <p><b>Consumer Proximity (High profile companies)</b></p> <p>household goods and textile <input type="checkbox"/></p> <p>beverage <input type="checkbox"/></p> <p>telecommunication <input type="checkbox"/></p> <p>electricity and gas distribution <input type="checkbox"/></p> <p>water <input type="checkbox"/></p> <p>banks <input type="checkbox"/></p> <p>and food and drug retails <input type="checkbox"/></p> <p>others <input type="checkbox"/></p>		
<p><b>Multinational Subsidiaries:</b></p> <p>Multinational subsidiary    Yes <input type="checkbox"/> Specify: .....    No <input type="checkbox"/></p>		

<sup>128</sup> Notes to financial statements

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Company is listed on the following stock exchanges

KSE ☐ LSE ☐ ISE ☐ Other ☐ (Specify): .....

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**GENERAL CONTEXTUAL FACTORS:**

**Shareholders**

Company Management:

DIRECTORS, CEOS, SPOUSE, AND MINORS (%age of shares): .....

GENERAL PUBLIC (%age of total shares): .....

INSTITUTIONAL SHAREHOLDERS (%AGE OF INSTITUTIONAL OWNERSHIP)

Shares held by Banks, Development financial institutions, and Non-banking financial institutions, Insurance companies, Modarabas and Mutual funds, Investment companies, Joint stock companies, Leasing companies: .....

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FOREIGN SHAREHOLDERS (%AGE OF FOREIGN OWNERSHIP)

Shares hold by foreigners (%age)= .....

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GOVERNMENT SHAREHOLDERS (%AGE OF GOVERNMENT OWNERSHIP)

Shares held by National Investment Trust, Shares held by Investment Corporation of Pakistan (ICP): .....

Government Companies: .....

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OWNERSHIP CONCENTRATION:

Number of shareholders having 10% or more voting rights: .....

%Shares held by top 5 shareholders: .....

%age of shares held by top 10 shareholders: .....

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CREDITORS:

Long term Debt (,000): .....

Total debt (,000): .....

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**CSR Promoting Institutions**

Company has membership of the following CSR networks

CSR Pakistan	<input type="checkbox"/>
CSRCP	<input type="checkbox"/>
Global Compact	<input type="checkbox"/>
Global Compact Pakistan Local Network	<input type="checkbox"/>
Not mentioned	<input type="checkbox"/>

Is the Company a member of WWF? Yes ☐ NO ☐

Which of the following CSR standards are owned by the company?

SA8000 ☐

OHSAS18000 ☐

IIP ☐

ISO 14000 ☐

ISO 9000 ☐

Other ☐ Specify: .....

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**INTERNAL CONTEXTUAL FACTORS (Directors Information):**

Total Non-Executive Directors: .....

Total Directors: .....

Total directorships of chairman: .....

Chairman Education: .....

CEO Education: .....

CFO Education: .....

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Company has CSR committee: Yes ☐ No ☐

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Company has human resource committee Yes ☐ No ☐

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Human resource disclosure themes and their indicators were adopted from Vuontisjarvi (2006) except indicators having asterisk (\*) sign, while environmental disclosure and products disclosure themes and indicators were adopted from Hackston and Milne (1996) except indicators having asterisk (\*) sign. Moreover, Hackston and Milne (1996) discussed all indicators of community involvement under one theme 'community involvement' but Branco and Rodrigues (2008) discussed these indicators under five themes: charitable donations and activities, support for education, support for the arts and culture, support for public health, and sponsoring sports and recreational projects, which have been adopted to categorise community development indicators of Hackston and Milne (1996). Indicators having asterisk (\*) sign were included in the research instrument based on reported information in companies' annual reports. Indicators having two asterisk (\*\*) signs were adopted from Hackston and Milne (1996). Themes having three asterisk (\*\*\*) sign were adopted from Branco and Rodrigues (2008).

#### **Appendix 7: Decision rules for social and environmental disclosure**

- All disclosures must be specifically stated rather than implied.
- Discussion on directors' activities will not be treated as part of employees' activities.
- Employees' environmental training will be treated under "environmental other" theme of 'environment disclosure' and employees' training focused on energy saving will be treated under "energy" theme of 'environmental disclosure' and employees training focused on employees career development will be treated under 'training and staff development' theme of 'human resource disclosure'.
- Sports events organized for only employees would be treated under 'employees health and safety and individual well-being' theme of 'human resource disclosure' and if sports event organized for the public (excluding employees) would be treated under 'sponsoring sporting or recreational projects' theme of 'community disclosure'.
- Health care facilities (i.e. GP services, establishment of hospitals and dispensaries) targeted to benefit the community only (excluding employees) would be treated under 'support for public health' theme of 'community disclosure'.
- Internships/apprenticeships/part-time employment of students will be treated under 'employment policy' theme of 'human resource disclosure'.
- Social events (i.e. musical nights) are organized for employees will treated under 'employees health and safety and individual well-being' theme of human resource disclosure and if these events are organized for the community (excluding employees) will be treated under 'support for art and culture' theme of 'community disclosure'.
- If a company reported information about the amount (say Rs. 20 million) it spent on educational and health projects then this information will be treated under performance type of information of both themes of CSR: support for education and support for public health.
- If a company reported information about its intentions to reduce environmental impacts and also reported information about some initiatives to control environmental pollution then company intentions (e.g. aims to reduce environmental impacts) will be treated under aims type of information of environmental pollution theme of CSR disclosure.
- Sampled companies reported information about trees plantation and it could be treated in two different themes of environmental disclosure based on the context of information. If company plants trees to reduce environmental pollution than it will be considered part of 'environment pollution' theme, otherwise 'aesthetics' theme of environment disclosure.

#### Appendix 8: Decision rules for CSR disclosure quantity

1. Each picture will be treated as one sentence and description (minimum three words) of picture will be treated another sentence because pictures with description were observed in some sampled companies' annual reports. This rule was adopted to avoid penalization of companies, which provided description of pictures related to CSR activities.
2. Each row of table will be treated as one sentence. This rule is consistent with Sobhani et al. (2009) who used this rule to measure quantity of CSR disclosure.
3. Heading will not be considered as one sentence because description of the heading is usually provided in paragraph following the heading.
4. If a sentence includes information about more than one category of CSR disclosure than that sentence will be treated in all the respective categories by dividing the number of sentences by number of categories.
5. Information that does not lay in CSR disclosure categories: environment, human resource, products and consumers, and community, will be treated in general disclosure category. General disclosure may contain information about code of ethics, and companies' interaction with other stakeholders such as suppliers and partners.
6. If a company discloses core values in words with bullets than those words will be treated as one sentence.

## Appendix 9: Questionnaire

(Please select the most appropriate answer option from the following questions)

### Part 1: Perception about CSR and attitude towards CSR Disclosure

1. To what extent do you agree or disagree with the following statements. Please choose the most appropriate answer option ranging from strongly disagree to strongly agree<sup>129</sup>. Social responsibility of a firm is about:

Statements	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
Complying with state laws	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Paying taxes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Provision of quality products and services for customers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Improving environmental quality and pollution control	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Provision of a healthy and safe working environment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Creating value for company shareholders	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Doing business with its partners with integrity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Actively participating in community development activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

2. To what extent do you agree or disagree with the following statements. Please choose the most appropriate answer option ranging from strongly disagree to strongly agree<sup>130</sup>.

Statements	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
Managers have a responsibility for CSR information disclosure	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
The company will have a better image if it discloses CSR related information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Stakeholders (e.g. employees, government, customers, local communities) have a right to CSR information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Disclosure of CSR information by companies will become general practice in near future	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### Part 2: Reasons for presence of CSR Disclosure in the annual report of the respondent's company

3. To what extent is each of the following persons/officials within your company important in making decisions regarding general disclosure in the annual report? Please choose the most appropriate answer option ranging from totally un-important to very important\*.

	Totally Un-important (1)	Un-important (2)	Neutral (3)	Important (4)	Very Important (5)
Chief Accountant/Financial Manager/Chief financial officer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

<sup>129</sup> Statements included in this question were adopted from Zu and Song (2009) and they used these statements to study how Chinese managers perceive and interpret CSR

<sup>130</sup> Under this question, all the statements were adopted from Jaggi and Zhao (1996) examining managers and accountants' attitude towards environmental performance and environmental reporting in Hong Kong

Managing Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chairman of the board of directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Public relations consultant	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
External Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Audit Committee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Any other (please specify): _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

- 4. To what extent is each of the following factors important to your company in disclosing CSR information in the annual report? Please choose the most appropriate answer option ranging from “totally un-important” to “very important”<sup>131</sup>.**

Items	Totally Un-important (1)	Un-important (2)	Neutral (3)	Important (4)	Very Important (5)
To increase the share price	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To satisfy ethical investors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To obtain funds from variety of sources	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To avoid litigation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To improve employees' morale	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To build company image	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To avail tax benefits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To reduce equity cost	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To attract institutional investors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To get government support	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To comply with state laws	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To avoid enactment of future/new legislations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To satisfy customers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To comply with the industry norms and standards (i.e. industry code of conduct)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To comply with own (company) code of conduct	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To reflect complying with religious believes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To provide 'true and fair' view of firm's operations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Any other (please specify): _____					

- 5. To what extent is each of the following stakeholders/institutions concerns important to your company in disclosing CSR information in the annual report? Please choose the most appropriate answer option ranging from “totally un-important ” to “very important”<sup>132</sup>**

<sup>131</sup> These factors has been adopted from the previous literature (see Schwartz and Carroll, 2003; Haniffa and Cooke, 2005; O'Dwyer, 2002; Adams, 2002; Dhaliwal et al. 2012; Herman, 1997; Wilmshurst and Frost, 2000). Moreover, 5-point Likert scale was used by Wilmshurst and Frost (2000) to develop the link between CFOs important to specific factors and actual environmental disclosure. \* Adopted from Haniffa and Cooke (2005) and \*\* from content analysis of the annual reports.

<sup>132</sup> These factors has been mentioned based on previous CSR disclosure studies (see Amran and Devi, 2008; Islam and Deegan, 2008; Huang and Kung, 2010; Campbell, 2007; Wilmshurst and Frost, 2000; Branco and Rodrigues, 2008). Five point Likert scale was used by Wilmshurst and Frost (2002) to develop the link between CFOs important to specific factors and actual environmental disclosure but they used theoretically imbalanced rating scale containing one un-important answer option and four important related answer options. To develop theoretically balanced scale it was decided to use five-point likert scale ranging from totally un-important (1) to very important (5)

	Totally Un- important (1)	Un- important (2)	Neutral (3)	Important (4)	Very Important (5)
Shareholders' concerns	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Financial institutions' concerns	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Customers' concerns	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Employees' concerns	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Suppliers' concerns	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Regulatory institutions' concerns	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Educational institutions' concerns	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
NGOs (e.g. WWF, ILO)' concerns	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
CSR promoting institutions' (e.g. CSR Pakistan, Corporate Social Responsibility Centre Pakistan) concerns	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Standard setting institutions (e.g. ISO) concerns	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Competitors' response to CSR issues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Other companies' response to CSR issues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Media attention to social and environmental issues	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chairman concerns*	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Non-executive directors concerns*	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Any other (please specify):	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### Part 3: Reasons for absence of CSR Disclosure in the annual reports of companies operating in Pakistan

6. To what extent do you agree or disagree with the following factors which may result in non-disclosure of CSR information in the annual reports by companies operating in Pakistan. Please choose the most appropriate answer option ranging from "strongly disagree" and "strongly agree"<sup>133</sup>.

Items	Strongly Disagree (1)	Disagree (2)	Neutral (3)	Agree (4)	Strongly Agree (5)
Cost of doing CSR activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Cost of reporting CSR information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Inadequacy of CSR education of managers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Inadequacy of professional CSR institutions in the country	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

to know level of importance attached to different factors by the top level management in disclosure decisions. This scale contains two un-important related answer options and two important related answer options and one neutral answer option.

133 These factors were derived from previous CSR disclosure studies (see Ahmad, 2006; Thompson and Zakaria, 2004; Lu and Casta, 2009; Zulkifi and Amran, 2006; Perry and Teng, 1999; Solomon and Lewis, 2002; Ziaul-Hoq et al., 2010; and based on three interviews with CEOs of companies operating in Pakistani). Moreover, five point Likert scale was used by previous studies examine the reasons for non CSR disclosure (see Al-Khater and Nasar, 2003; Solomon and Lewis, 2002).

Inadequacy of CSR reporting framework/guidelines	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lack of industrial associations support to disclose CSR information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Inadequacy of public pressure or public concern for CSR information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Inadequate demand of shareholders for CSR information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Inadequacy of customers' interest in CSR information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Inadequacy of regulatory requirements	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Managers' misconceptions about perceived CSR disclosure benefits	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Accountants only prepare annual reports and they have insufficient knowledge of non-financial data (e.g. CSR) collection methods	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fear of public reactions to sensitive information disclosure (e.g. amount of fines or environmental pollution)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
To maintain secrecy of good deeds (due to Islamic values )	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Poor law and order situation catch the most attention of the management that result in non-reporting of CSR information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Input (e.g. electricity, oil and gas) shortages catch the most attention of the management that result in non-reporting of CSR information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Any other(please specify): _____	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

#### Part 4: Personal Information

7. Name of your company: \_\_\_\_\_
8. Your Designation: \_\_\_\_\_
9. Your gender
  - a) Male
  - b) Female
10. Your age
  - a) Less than 27 Years
  - b) 28 – 40 Years
  - c) 41 – 55 Years
  - d) 56 – 65 Years
  - e) Above 65 Years

11. Your highest academic education (please tick the most appropriate box)<sup>134</sup>

	Business & Management	Accounting	Economics	Other areas
Secondary School Certificate				
Higher Secondary School Certificate				
Bachelor Degree				
Master Degree				
PhD Degree				
Any Other (Please specify)				

<sup>134</sup> This question has been adopted from (Ahmad, 2004)



If your highest academic qualification is not related to management & business, accounting, or economics; have you attended any training programme for business and management, or accounting or economics? ☐ Yes ☐ No

12. Have you attended a training programme regarding Corporate Social Responsibility (CSR) or CSR reporting? ☐ Yes ☐ No

13. Number of other organisations worked for before joining this organisation\*

- a) None
- b) One
- c) Two
- d) Three
- e) Four or more

14. Number of years worked in the current organisation\*

- a) Less than 1
- b) 1 to < 3 Years
- c) 3 to < 6 Years
- d) 6 to <10 Years
- e) 10 Years and above

**Thanks you for your valuable views.**

## Appendix 10: Covering letter

**Title of the research project:** CSR Disclosure and its determinants: A case of Pakistani



Business School Middlesex University  
Williams Buildings, The Burroughs  
Hendon, London, NW4 4BT  
[w.ali@mdx.ac.uk](mailto:w.ali@mdx.ac.uk)  
020 8925 1234

**Mr. Sayeed Saigol (CEO)**

**Maple Leaf Cement**

**42 Lawrence Road, Lahore, Pakistan 54000.**

Dear Sir,

I am a final year PhD student in the field of 'Corporate Social Responsibility (CSR) Disclosure' at Business School Middlesex University, London, United Kingdom. I am establishing various observable and non-observable factors' relationship with CSR disclosure in the annual reports by companies listed at Karachi Stock Exchange of Pakistan. For this purpose, I studied 240 listed companies' annual reports and found that many companies have reported substantial quantity of information about their involvement in human resource, community, consumer, and environment related activities, while at the same time many companies provided a little information about their involvement in CSR activities. The researcher is interested in finding the reasons/factors for the presence (or the absence) of CSR related information in the annual reports. This is possible only by knowing companies top executives/experts views about the presence (or the absence) of CSR disclosure. Your responses are very important in enabling me to establish factors of CSR disclosure (or non-disclosure).

The top executives' views are being sought here through questionnaire. This questionnaire will take you about 10 minutes to complete. Please answer the questions in the desired format. If you want to provide additional information, please write in the space provided in the questionnaire. The information you provide will be treated with confidentiality. Moreover, the anonymity of the respondent will also be maintained. You will notice this that you are not required to write your name and address anywhere in the questionnaire. However, you are only required to write the name of your company, which is for the purpose of identification of the company responded or not responded to my request. Further, the findings from data collected through the questionnaire will be mentioned in aggregate rather than giving reference to individual cases in the thesis for my PhD degree. Another important point to mention is that this research is not seeking any confidential information about companies rather seeking your views /perceptions for the disclosure (or non-disclosure) of CSR information in the annual reports. In addition to the above, there is no right and wrong information in the questionnaire, so please feel free while filling the questionnaire and try to answer all the questions in the questionnaire.

In addition to the above, this research will bring the benefits for the companies. For example: what CSR is; what type of activities should be reported as CSR in the annual report; what type of information should be reported; which areas should be focused more in writing CSR information in the annual reports; and how information should be reported etc. These information/recommendations will be available after the compilation of the thesis and will be provided to the managers on demand.

I hope you will find filling this questionnaire very interesting. Please fill the questionnaire without delay and send it by scanning the filled questionnaire (please ignore if online questionnaire has been filled). If you have any query please feel free to contact me on the mentioned details.

Thank you for your help in advance.

Mr. Waris Ali (PhD Scholar)

A handwritten signature in blue ink, appearing to read 'Waris Ali', written over a green and white patterned background.

## Appendix 11: Reference letter from my research supervisor



### Reference for Waris Ali

Re: Confidentiality of research data

London, 7 August 2013

Dear Sir,

Thank you for your support for collecting data for Waris Ali's doctoral research project.

Waris has been enrolled in the MPhil/PhD programme in the Business School at Middlesex University since 2010. His main research area is Corporate Social Responsibility (CSR) reporting in emerging markets. His research is very important in providing new insights on CSR in emerging markets such as Pakistan.

As his Director of Studies, I can assure you that the names of the people and organisations that participate in this research will remain absolutely confidential and anonymous and that all data collected during this research project will be used for academic purposes only.

Please do not hesitate to contact me if you require further information.

Yours sincerely,

J G Frynas

Prof. Jędrzej George Frynas  
BA (Cambridge); PhD (St Andrews)  
Middlesex University Business School  
The Burroughs  
London NW4 4BT  
UK  
Phone: (44) 20 8411 5437  
Email: [g.frynas@mdx.ac.uk](mailto:g.frynas@mdx.ac.uk)

## Appendix 12: Sampling frame

Sr. No	RN	Company Name
1	4	Byco Petroleum Limited
2	5	Mari Gas Company Limited
3	7	Oil & Gas Development Company
4	11	Pakistan State Oil
5	13	Sui North Gas Pipeline
6	16	Century Paper & Board Mills Limited
7	23	Biafo Industries Limited
8	31	Engro Polymer
9	33	Fauji Fertilizer Bin Qasim Limited
10	37	ICI Pakistan Limited
11	38	Ittehad Chemical Limited
12	43	Nimir Industries Chemicals
13	48	Sitara Chemical
14	51	Wah Nobel Chemicals Limited
15	53	Dost Steels Limited
16	60	Al-Abbas Cement industries Limited
17	61	Attock Cement Pakistan Limited
18	69	Dadex Eternit Limited
19	76	Fauji Cement Company Limited
20	78	Flying Cement Limited
21	81	Gharibwal Cement Limited
22	86	Bestway Cement Limited
23	89	Maple Leaf Cement
24	93	Pioneer Cement
25	99	Cherat Packaging Limited
26	105	Siemens Pakistan
27	113	Pakistan Cables Limited
28	115	Pakistan International containers terminal
29	117	Pakistan National shipping corporation
30	121	Atlas Honda Limited
31	125	Exide (Pakistan) Limited
32	128	General Tyre Limited
33	130	Indus Motor Company Limited
34	131	Pakistan Suzuki Motor Company Limited
35	138	Bolan Casting Limited
36	140	Ghandhara Ind.
37	150	AL-Abbas Sugar mills limited
38	158	Clover Pakistan Limited
39	172	J.D.W. Sugar Mills Limited
40	173	Kohinoor Sugar Mills Limited
41	176	Mirpurkhas Sugar Mills Limited
42	181	Mirza Sugar Mills Limited
43	182	National Foods Limited
44	188	Pangrio Sugar Mills Limited
45	191	Rafhan Maize Products Company Limited
46	206	UniLever Pakistan Limited
47	216	Pak Elektron Limited
48	218	Singer Pakistan Limited
49	219	Tariq Glass Industries
50	229	Azgard Nine Mills Limited
51	251	Blessed Textile Limited
52	254	Crescent Fibres Limited

53	261	(Colony) Thal Textile Mills Limited
54	280	Fateh Textile Mills Limited
55	285	Gul Ahmed Textile Mills Limited
56	306	Indus Dyeing Mills Limited
57	320	Kohinoor Mills Limited
58	332	Land Mark Spinning Mills Limited
59	334	Mehmood Textile Mills Limited
60	347	Nishat (Chunian)
61	356	Premium Textile Mills Limited
62	360	Quetta Textile Mills Limited
63	367	Rupali Polyester Limited
64	369	Salafi Textile Mills Limited
65	394	Shams Textile Mills Limited
66	411	ZIL Limited
67	412	Zephyr Textile Limited
68	414	Pakistan Tobacco Limited
69	419	Ferozsons (Lab) Limited
70	420	GlaxoSmithKline Pakistan
71	424	Sanofi-Aventis Pakistan Limited
72	426	Wyeth Pak Limited
73	433	P.I.A.C.(B)
74	439	WorldCall Telecom Limited
75	442	Hub Power Company Limited
76	444	Japan Power Generation Limited
77	447	Kohinoor Energy Limited
78	453	Southern Electric Power Company Limited
79	457	Askari Bank Limited
80	460	Bank AL-Habib Limited
81	462	Bank Of Khyber
82	471	National Bank of Pakistan
83	472	NIB Bank Limited
84	475	Silk Bank Limited
85	476	Summit Bank Ltd
86	477	Soneri Bank Ltd
87	479	Askari General Insurance
88	480	Adamjee Insurance Company Limited
89	482	Atlas Insurance Limited
90	487	Cyan Limited (previous Central insurance
91	489	EFU General Insurance
92	499	Premier Insurance Limited
93	503	Reliance Insurance Limited
94	504	Shaheen Insurance
95	509	United Insurance
96	510	Universal Insurance
97	512	EFU Life Assurance Limited
98	514	Jubilee Life Insurance Company Limited
99	516	Pace (Pak) Limited
100	518	Arif Habib Limited
101	526	Escorts Investment Bank Limited
102	529	First Dawood Investment Bank Limited
103	530	First Notational Equities Limited
104	531	Grays Leasing Limited
105	552	Security Investment Bank Limited
106	556	Saudi Pak Leasing
107	557	Trust Investment Bank Limited
108	558	Trust Securities and Brokerage Limited

109	563	BRR Guardian Modaraba
110	564	First Capital Mutual Fund
111	565	Crescent Standard Modaraba
112	575	First IBL Modaraba
113	579	First National Bank Modaraba
114	581	First Paramount Modaraba
115	591	NAMCO Balanced Fund
116	594	PICIC Growth Fund
117	595	PICIC Investment Fund
118	597	Pak Oman Advantage Fund
119	599	Standard Chartered Modaraba
120	600	Safeway Mutual

## Appendix 13: CSR disclosure dimensions, themes, and indicators

Year	2008			2011		
	f	ND	%	f	ND	%
<b>ENVIRONMENTAL DISCLOSURE:</b>						
<b>Environmental Pollution (Number)</b>	<b>33</b>	<b>87</b>	<b>27.50%</b>	<b>35</b>	<b>85</b>	<b>29.17%</b>
AIMS/INTENTIONS:	24	96	20.00%	27	93	22.50%
Pollution abatement	22	98	18.33%	23	97	19.17%
No emissions*	5	115	4.17%	10	110	8.33%
ACTIONS:	25	95	20.83%	25	95	20.83%
Research and development for pollution abatement	3	117	2.50%	1	119	0.83%
Compliance with environmental laws and regulations (i.e. ISO 14000, GOTS)	17	103	14.17%	15	105	12.50%
Repair of damage to the environment	0	120	0.00%	0	120	0.00%
Anti-litter campaigns (i.e. beach cleaning campaign/systems)	1	119	0.83%	4	116	3.33%
Trees plantation related to pollution reduction*	4	116	3.33%	7	113	5.83%
Installation of new equipments (e.g. dust collection equipment)*	6	114	5.00%	7	113	5.83%
Noise education*	2	118	1.67%	2	118	1.67%
Providing protective gadgets from noise*	2	118	1.67%	1	119	0.83%
Environmental management system in place*	7	113	5.83%	7	113	5.83%
PERFORMANCE:	10	110	8.33%	11	109	9.17%
Research and development expenditure for pollution abatement	0	120	0.00%	0	120	0.00%
Percentage of pollution reduction	1	119	0.83%	2	118	1.67%
Amount spent on trees plantation*	0	120	0.00%	0	120	0.00%
Number of trees planted*	2	118	1.67%	1	119	0.83%
Environmental awards ( e.g. AEEA Awards, NFEH, ACCA-WWF)*	7	113	5.83%	10	110	8.33%
Amount Spent*	0	120	0.00%	1	119	0.83%
<b>Conservation of Natural Resources (Number)</b>	<b>10</b>	<b>110</b>	<b>8.33%</b>	<b>15</b>	<b>105</b>	<b>12.50%</b>
AIMS/INTENTIONS:	9	111	7.50%	9	111	7.50%
Conservation of natural resources	9	111	7.50%	9	111	7.50%
ACTIONS:	6	114	5.00%	11	109	9.17%
Recycling glass	0	120	0.00%	0	120	0.00%
Recycling metal	0	120	0.00%	0	120	0.00%
Recycling plastic*	0	120	0.00%	0	120	0.00%
Recycling oil	0	120	0.00%	0	120	0.00%
Recycling water (e.g. installation of water recycling system)	3	117	2.50%	8	112	6.67%
Recycling paper	2	118	1.67%	0	120	0.00%
Use recycled material	2	118	1.67%	3	117	2.50%
Efficiently using material resources in manufacturing process (by changing or adopting procedures)	0	120	0.00%	1	119	0.83%
Installation/up gradation of system (e.g. installation of gas and heat recovery system)*	1	119	0.83%	1	119	0.83%
PERFORMANCE:	2	118	1.67%	3	117	2.50%
%age or amount of glass recycled or used or both	0	120	0.00%	0	120	0.00%
%age or amount of metal recycled or used or both	0	120	0.00%	0	120	0.00%
%age or amount of plastic recycled or used or both*	0	120	0.00%	0	120	0.00%
%age or amount of oil recycled or used or both	0	120	0.00%	0	120	0.00%
%age or amount of water recycled or used or both	0	120	0.00%	1	119	0.83%
%age or amount of paper recycled or used or both	1	119	0.83%	0	120	0.00%
Amount (or %age) of gas saved*	0	120	0.00%	0	120	0.00%
Amount of other natural resources saved*	1	119	0.83%	2	118	1.67%
<b>Energy (number):</b>	<b>14</b>	<b>106</b>	<b>11.67%</b>	<b>27</b>	<b>93</b>	<b>22.50%</b>
AIMS/INTENTIONS:	9	111	7.50%	23	97	19.17%
Conservation of energy in the conduct of business operations	9	111	7.50%	23	97	19.17%
ACTIONS:	9	111	7.50%	18	102	15.00%
Using energy more efficiently during the manufacturing process	2	118	1.67%	7	113	5.83%
Utilizing waste material for energy production	3	117	2.50%	6	114	5.00%

Conducting research to improve energy efficiency	0	120	0.00%	0	120	0.00%
Voicing the company concerns about energy shortage (i.e. energy shortage awareness programmes)	1	119	0.83%	1	119	0.83%
Running energy saving programmes for employees (i.e. educating employees to turn off the unnecessary lights and computers)*	0	120	0.00%	6	114	5.00%
Use renewable energy (e.g. wind energy, solar energy, energy from wasted heat)*	2	118	1.67%	6	114	5.00%
Installation/up gradation of system to save energy (e.g. rich reflux re-boiler)*	2	118	1.67%	3	117	2.50%
PERFORMANCE:	6	114	5.00%	8	112	6.67%
Energy savings result from product recycling	1	119	0.83%	0	120	0.00%
Amount of increased energy efficiency of products	3	117	2.50%	1	119	0.83%
Received award on energy saving (conservation) programmes	0	120	0.00%	0	120	0.00%
Amount of money spent on energy conservation programmes	2	118	1.67%	3	117	2.50%
Amount of energy saved*	1	119	0.83%	4	116	3.33%
<b>Aesthetics (Number)</b>	<b>5</b>	<b>115</b>	<b>4.17%</b>	<b>9</b>	<b>111</b>	<b>7.50%</b>
AIMS/INTENTIONS:	2	118	1.67%	6	114	5.00%
Beautify the environment	1	119	0.83%	0	120	0.00%
To become green factory*	2	118	1.67%	6	114	5.00%
ACTIONS:	4	116	3.33%	5	115	4.17%
Designing facilities harmonious to the environment	0	120	0.00%	0	120	0.00%
Contribution in terms of cash or art/sculptures to the beauty of the environment	0	120	0.00%	0	120	0.00%
Restoring historical buildings and structures	0	120	0.00%	0	120	0.00%
Sponsoring gardening and spring flower competition*	1	119	0.83%	1	119	0.83%
Planting trees (not related pollution reduction)*	4	116	3.33%	4	116	3.33%
PERFORMANCE:	3	117	2.50%	4	116	3.33%
Amount of cash spent on the beauty of the environment	0	120	0.00%	0	120	0.00%
Number of building restored and restructured*	0	120	0.00%	0	120	0.00%
Number of trees planted*	3	117	2.50%	3	117	2.50%
Amount spent of trees plantation*	0	120	0.00%	1	119	0.83%
<b>Environment Other (number):</b>	<b>47</b>	<b>73</b>	<b>39.17%</b>	<b>50</b>	<b>70</b>	<b>41.67%</b>
AIMS/INTENTIONS:	47	73	39.17%	49	71	40.83%
Educate employees on environmental issues	3	117	2.50%	4	116	3.33%
Wildlife conservation*	3	117	2.50%	3	117	2.50%
General awareness*	0	120	0.00%	1	119	0.83%
Environmental protection (in general)*	46	74	38.33%	48	72	40.00%
ACTIONS:	4	116	3.33%	10	110	8.33%
Environmental awareness programs for employees	4	116	3.33%	9	111	7.50%
Undertake environmental impact studies to monitor the company's impact on the environment	0	120	0.00%	0	120	0.00%
General awareness programmes (e.g. earth day celebration, world environmental day)*	1	119	0.83%	3	117	2.50%
PERFORMANCE:	0	120	0.00%	2	118	1.67%
Amount of money spent on environmental training of employees*	0	120	0.00%	1	119	0.83%
Number of employees received environmental training*	0	120	0.00%	1	119	0.83%
Amount of money spent on wild life conservation*	0	120	0.00%	0	120	0.00%
<b>HUMAN RESOURCE DISCLOSURE:</b>						
<b>Training and Staff Development(number)</b>	<b>56</b>	<b>64</b>	<b>46.67%</b>	<b>63</b>	<b>57</b>	<b>52.50%</b>
AIMS/INTENTIONS:	43	77	35.83%	50	70	41.67%
Life-long learning or continuous learning	7	113	5.83%	5	115	4.17%
Employability of an employee	0	120	0.00%	0	120	0.00%
Provide career development opportunities*	37	83	30.83%	46	74	38.33%
ACTIONS:	40	80	33.33%	48	72	40.00%
Training aiming at achieving formal qualifications	11	109	9.17%	16	104	13.33%
Development discussions	2	118	1.67%	0	120	0.00%
In-house/outside trainings*	30	90	25.00%	31	89	25.83%
Abroad training*	3	117	2.50%	4	116	3.33%
Job rotation	2	118	1.67%	2	118	1.67%
Competence appraisals	0	120	0.00%	2	118	1.67%



Personal development plans	5	115	4.17%	2	118	1.67%
Support for employees_ studies on their own accord	1	119	0.83%	3	117	2.50%
Measures to integrate low skilled employees	0	120	0.00%	0	120	0.00%
Seminars and workshops*	7	113	5.83%	7	113	5.83%
PERFORMANCE:	9	111	7.50%	17	103	14.17%
Cost of training	0	120	0.00%	1	119	0.83%
Time spent for training	3	117	2.50%	6	114	5.00%
Perception measures (qualitative or quantitative)	0	120	0.00%	2	118	1.67%
Number of employees participating in training initiatives	7	113	5.83%	13	107	10.83%
<b>Pay and Benefits (number):</b>	<b>29</b>	<b>91</b>	<b>24.17%</b>	<b>26</b>	<b>94</b>	<b>21.67%</b>
AIMS/INTENTIONS:	14	106	11.67%	17	103	14.17%
Just, equal pay	0	120	0.00%	1	119	0.83%
Reward according to their abilities and performance*	14	106	11.67%	17	103	14.17%
ACTIONS:	19	101	15.83%	13	107	10.83%
Incentive schemes (results or performance based pay etc. for both employees and directors)	3	117	2.50%	1	119	0.83%
Option schemes (for both employees and directors)	0	120	0.00%	0	120	0.00%
Shares and options owned by individual directors	0	120	0.00%	0	120	0.00%
Personnel fund	0	120	0.00%	0	120	0.00%
providing assistance or guidance to employees who are in the process of retiring or who have been made redundant;**	0	120	0.00%	0	120	0.00%
Providing staff accommodation/staff home ownership schemes;**	0	120	0.00%	0	120	0.00%
Providing recreational activities/facilities**	10	110	8.33%	6	114	5.00%
Employees' pension and provident funds plans*	0	120	0.00%	0	120	0.00%
Education support for employees' children*	3	117	2.50%	4	116	3.33%
Sending people for Hajj prayers*	1	119	0.83%	1	119	0.83%
Donation to employees living in the flood affected areas*	1	119	0.83%	1	119	0.83%
Employees were offered permanent positions*	1	119	0.83%	0	120	0.00%
PERFORMANCE:	6	114	5.00%	5	115	4.17%
Perception measures (qualitative or quantitative)	1	119	0.83%	1	119	0.83%
Average wage	0	120	0.00%	0	120	0.00%
Spread of wages	0	120	0.00%	0	120	0.00%
Pay and conditions compared against local equivalent averages (qualitative or quantitative)	0	120	0.00%	0	120	0.00%
Amount of pension and provident fund*	0	120	0.00%	0	120	0.00%
Number of employees' children benefited*	1	119	0.83%	1	119	0.83%
Performance awards (e.g. gold medals, long service awards)*	3	117	2.50%	3	117	2.50%
Inflation allowance*	1	119	0.83%	0	120	0.00%
<b>Participation and Staff Involvement (number)</b>	<b>20</b>	<b>100</b>	<b>16.67%</b>	<b>22</b>	<b>98</b>	<b>18.33%</b>
AIMS/INTENTIONS:	20	100	16.67%	19	101	15.83%
Principle of open or two way communication	6	114	5.00%	6	114	5.00%
Foster team work and employees participation*	15	105	12.50%	13	107	10.83%
ACTIONS:	3	117	2.50%	5	115	4.17%
Representation of personnel in the company's administration	0	120	0.00%	0	120	0.00%
Teams	1	119	0.83%	1	119	0.83%
A co-operative body	0	120	0.00%	1	119	0.83%
Trade-unions, collective agreements	0	120	0.00%	0	120	0.00%
A suggestion scheme	0	120	0.00%	0	120	0.00%
Intranet	0	120	0.00%	2	118	1.67%
Work-force meetings	1	119	0.83%	0	120	0.00%
A personnel newsletter	1	119	0.83%	1	119	0.83%
A personnel guide	0	120	0.00%	0	120	0.00%
Informing personnel about corporate strategy	0	120	0.00%	1	119	0.83%
Immediate supervisor as a communication channel	0	120	0.00%	0	120	0.00%
E-mail to the managing director	0	120	0.00%	0	120	0.00%
Anonymous complaint points	0	120	0.00%	0	120	0.00%
Informing personnel about financial performance	0	120	0.00%	0	120	0.00%
Internal staff letters*	0	120	0.00%	0	120	0.00%
PERFORMANCE:	2	118	1.67%	1	119	0.83%
Perception measures (qualitative or quantitative)	2	118	1.67%	1	119	0.83%
Number of days or losses related to industrial action	0	120	0.00%	0	120	0.00%

Ratio of recognised trade-unions to existing trade unions	0	120	0.00%	0	120	0.00%
<b>Health and Safety and Individual Well-being (number)</b>	<b>57</b>	<b>63</b>	<b>47.50%</b>	<b>65</b>	<b>55</b>	<b>54.17%</b>
AIMS/INTENTIONS:	56	64	46.67%	65	55	54.17%
Stress on preventive activities (e.g. occupational health and safety)	21	99	17.50%	29	91	24.17%
Retaining the personnel working capacity up to proper retirement age	0	120	0.00%	0	120	0.00%
zero accidents	8	112	6.67%	11	109	9.17%
Employees' health and safety*	24	96	20.00%	26	94	21.67%
Improve working conditions*	28	92	23.33%	36	84	30.00%
ACTIONS:	24	96	20.00%	36	84	30.00%
Support for sport (e.g. cricket tournaments, gym, cafeteria, swimming facility) or recreation (e.g. family functions, musical nights)	1	119	0.83%	7	113	5.83%
Support for rehabilitation	0	120	0.00%	1	119	0.83%
Measurements	3	117	2.50%	8	112	6.67%
Training or advice on health issues	2	118	1.67%	1	119	0.83%
Support to employees with mental problems	0	120	0.00%	0	120	0.00%
Health screening, follow up	2	118	1.67%	2	118	1.67%
G.P (general practitioner) services	4	116	3.33%	10	110	8.33%
Action against drugs or alcohol	0	120	0.00%	0	120	0.00%
Special doctor services	0	120	0.00%	2	118	1.67%
Special attention paid to ageing people	0	120	0.00%	0	120	0.00%
Surveys on stress	0	120	0.00%	0	120	0.00%
Health and safety training (e.g. firefighting drills)	13	107	10.83%	23	97	19.17%
Occupational health and safety system audited by third parties (OSHAS 180001)	11	109	9.17%	11	109	9.17%
Analysing the causes of work-related accidents and safety surveys	0	120	0.00%	1	119	0.83%
Improving the workplace ergonomics	0	120	0.00%	1	119	0.83%
Improving the hygiene at work	1	119	0.83%	0	120	0.00%
Improving the management of threat and violence	0	120	0.00%	0	120	0.00%
Health and safety awareness programmes ( e.g. publish monthly health and safety bulletins, celebrating no smoking day, health and safety videos, safety presentations )*	5	115	4.17%	13	107	10.83%
Installing health and safety detective equipment*	3	117	2.50%	5	115	4.17%
PERFORMANCE:	12	108	10.00%	10	110	8.33%
Rate of absence	0	120	0.00%	1	119	0.83%
Occupational health costs	0	120	0.00%	1	119	0.83%
Perception measures (qualitative or quantitative) (e.g. external health and safety ratings)	1	119	0.83%	2	118	1.67%
Work organisation and community (disclosed in context of employee well-being)	0	120	0.00%	1	119	0.83%
Number of occupational injuries	3	117	2.50%	1	119	0.83%
Number of employees trained*	3	117	2.50%	4	116	3.33%
Occupational health and safety awards*	2	118	1.67%	2	118	1.67%
Number of man hours achieved*	6	114	5.00%	5	115	4.17%
Training hours imparted*	1	119	0.83%	0	120	0.00%
<b>Measurement of Policies (number)</b>	<b>3</b>	<b>117</b>	<b>2.50%</b>	<b>3</b>	<b>117</b>	<b>2.50%</b>
AIMS/INTENTIONS:	1	119	0.83%	1	119	0.83%
To measure the success the of HRM related policies and process	1	119	0.83%	1	119	0.83%
ACTIONS:	0	120	0.00%	1	119	0.83%
Working atmosphere or job satisfaction survey	0	120	0.00%	1	119	0.83%
Other internal survey	0	120	0.00%	0	120	0.00%
External survey	0	120	0.00%	0	120	0.00%
PERFORMANCE:	3	117	2.50%	2	118	1.67%
Staff turnover (or attrition rate)	1	119	0.83%	0	120	0.00%
Breakdown by length of employment contract	0	120	0.00%	0	120	0.00%
Average length of employment contract	0	120	0.00%	0	120	0.00%
Standards (qualitative or quantitative)	0	120	0.00%	0	120	0.00%
Awards (qualitative or quantitative)	2	118	1.67%	1	119	0.83%

Working atmosphere or job satisfaction index	0	120	0.00%	0	120	0.00%
Ethical funds (with or without reference to HRM, qualitative or quantitative)	0	120	0.00%	0	120	0.00%
Retention rate	1	119	0.83%	1	119	0.83%
<b>Employment Policy (number)</b>	<b>8</b>	<b>112</b>	<b>6.67%</b>	<b>14</b>	<b>106</b>	<b>11.67%</b>
AIMS/INTENTIONS:	0	120	0.00%	0	120	0.00%
Positive employer image	0	120	0.00%	0	120	0.00%
ACTIONS:	7	113	5.83%	14	106	11.67%
Traineeships for students (i.e. internships/apprenticeships)	6	114	5.00%	11	109	9.17%
Summer and part-time employment of students	0	120	0.00%	0	120	0.00%
Company has offered training and employment for unemployed people	0	120	0.00%	0	120	0.00%
Company has offered training and employment for ageing people	0	120	0.00%	0	120	0.00%
Company has offered training and employment for people with disabilities	0	120	0.00%	3	117	2.50%
Company has offered training and employment for immigrants or ethnic minorities	0	120	0.00%	0	120	0.00%
Company has offered training and employment for low skilled people	1	119	0.83%	1	119	0.83%
PERFORMANCE:	3	117	2.50%	4	116	3.33%
Number of new recruits	1	119	0.83%	0	120	0.00%
Number of traineeships	2	118	1.67%	3	117	2.50%
Results of external employer image surveys (qualitative or quantitative)	0	120	0.00%	0	120	0.00%
Number of ageing new recruits	0	120	0.00%	0	120	0.00%
Number of new recruits with disabilities	0	120	0.00%	1	119	0.83%
Number of new recruits from immigrants/ethnic minorities	0	120	0.00%	0	120	0.00%
<b>Equal Opportunities (number)</b>	<b>35</b>	<b>85</b>	<b>29.17%</b>	<b>44</b>	<b>76</b>	<b>36.67%</b>
AIMS/INTENTIONS:	35	85	29.17%	44	76	36.67%
Principle of non-discrimination/equal opportunities/diversity	35	85	29.17%	44	76	36.67%
ACTIONS:	6	114	5.00%	9	111	7.50%
Equal opportunity plan	0	120	0.00%	1	119	0.83%
Diversity or equal opportunity training	1	119	0.83%	0	120	0.00%
Attention paid to equality in wages	0	120	0.00%	0	120	0.00%
Measures to facilitate the adaptation of immigrants or ethnic minorities	0	120	0.00%	0	120	0.00%
Code of practice for sexual harassment	2	118	1.67%	4	116	3.33%
Code of practice for bullying (aggressive behaviour)	0	120	0.00%	4	116	3.33%
Surveys on equality	0	120	0.00%	0	120	0.00%
Targeted recruitment in order to balance gender segregation	1	119	0.83%	2	118	1.67%
Measures to facilitate the adaptation of people with disabilities	0	120	0.00%	1	119	0.83%
Engagement of third party (outside agency) in the recruitment process*	0	120	0.00%	0	120	0.00%
Social accountability standard (e.g. SA 8000)*	2	118	1.67%	1	119	0.83%
PERFORMANCE:	1	119	0.83%	2	118	1.67%
Breakdown by age	0	120	0.00%	0	120	0.00%
Average age	0	120	0.00%	0	120	0.00%
Breakdown by gender	0	120	0.00%	0	120	0.00%
Number of women in management positions	1	119	0.83%	1	119	0.83%
Number of immigrants or employees from ethnic minorities	0	120	0.00%	0	120	0.00%
Number of people with disabilities	0	120	0.00%	0	120	0.00%
Number of people with disabilities in management positions	0	120	0.00%	0	120	0.00%
Number of people with ethnic background in management positions	0	120	0.00%	0	120	0.00%
Number of legal non-compliances with legislation	0	120	0.00%	0	120	0.00%
Workforce profile compared to the community profile for travel to workforce (qualitative or quantitative)	0	120	0.00%	0	120	0.00%
Perception measures (qualitative or quantitative)	0	120	0.00%	0	120	0.00%
Number of women working in the factory*	0	120	0.00%	1	119	0.83%
<b>Work-life Balance (number)</b>	<b>2</b>	<b>118</b>	<b>1.67%</b>	<b>3</b>	<b>117</b>	<b>2.50%</b>

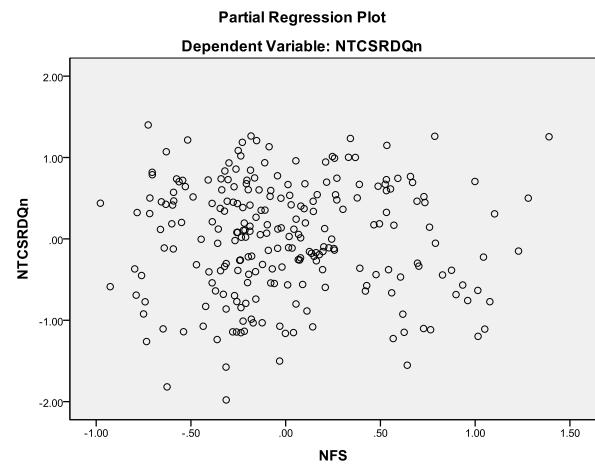
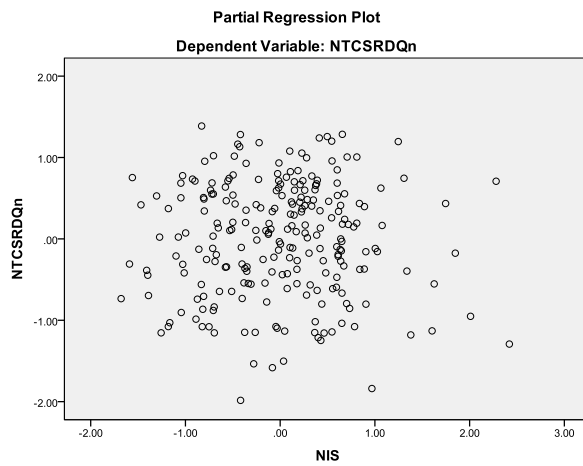
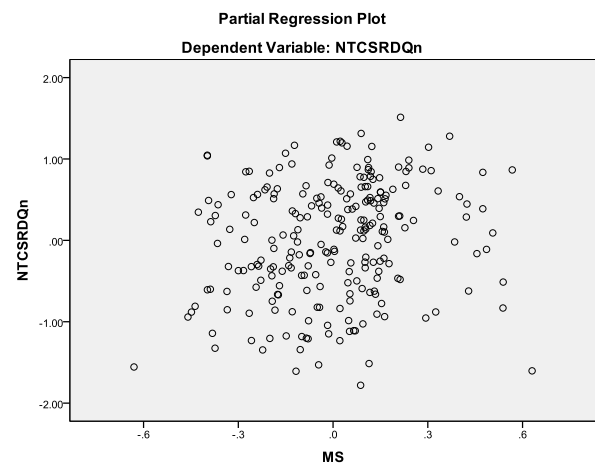
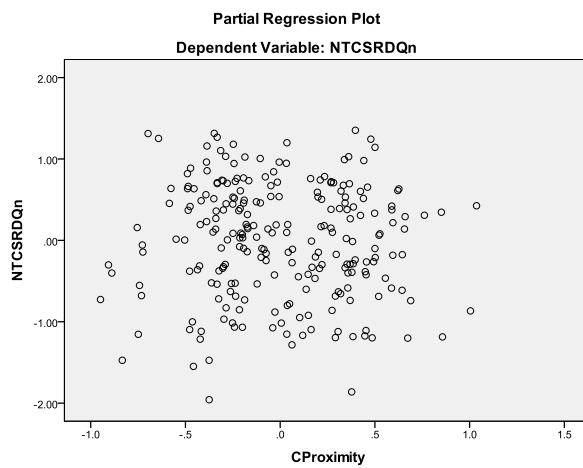
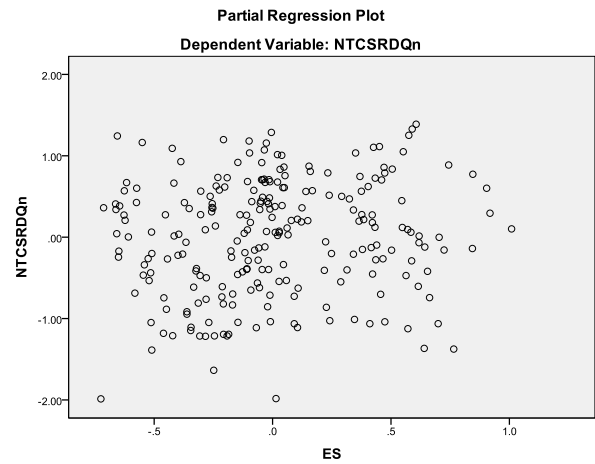
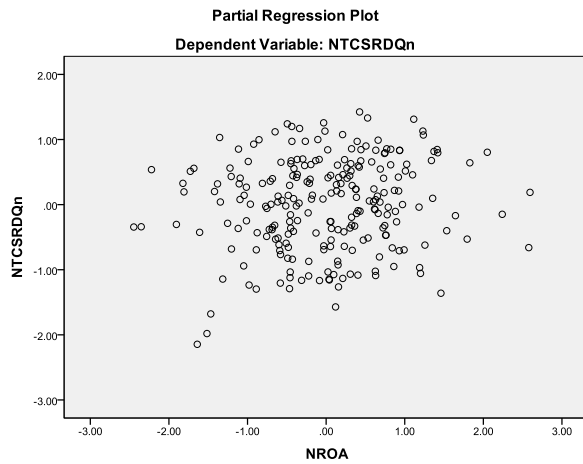
AIMS/INTENTIONS:	2	118	1.67%	3	117	2.50%
Principle of work-life balance	2	118	1.67%	3	117	2.50%
ACTIONS:	0	120	0.00%	1	119	0.83%
Flexitime	0	120	0.00%	1	119	0.83%
Support for childcare (e.g. day care centre)	0	120	0.00%	0	120	0.00%
Better maternity or parental leave advantages than stipulated in law and collective agreements	0	120	0.00%	0	120	0.00%
Encouragement for men to use their family leave options	0	120	0.00%	0	120	0.00%
Complementary training for those returning from family leave	0	120	0.00%	0	120	0.00%
Survey on work-life balance	0	120	0.00%	0	120	0.00%
Concierge (attendant) services	0	120	0.00%	0	120	0.00%
PERFORMANCE:	0	120	0.00%	0	120	0.00%
Perception measures (qualitative or quantitative)	0	120	0.00%	0	120	0.00%
<b>PRODUCTS AND CONSUMERS DISCLOSURE:</b>						
<b>Product Developments (number)</b>	<b>5</b>	<b>115</b>	<b>4.17%</b>	<b>8</b>	<b>112</b>	<b>6.67%</b>
AIMS/INTENTIONS:	2	118	1.67%	5	115	4.17%
Develop or improve company's products	2	118	1.67%	5	115	4.17%
ACTIONS:	4	116	3.33%	7	113	5.83%
Development related to the company's products including Packaging	2	118	1.67%	6	114	5.00%
Making containers reusable	0	120	0.00%	0	120	0.00%
Research and developments related to product developments	2	118	1.67%	1	119	0.83%
PERFORMANCE:	1	119	0.83%	0	120	0.00%
Amount/percentage figure of research and development expenditure	1	119	0.83%	0	120	0.00%
Amount/percentage figure showing research and development benefits	0	120	0.00%	0	120	0.00%
<b>Product Safety (number)</b>	<b>8</b>	<b>112</b>	<b>6.67%</b>	<b>11</b>	<b>109</b>	<b>9.17%</b>
AIMS/INTENTIONS:	6	114	5.00%	8	112	6.67%
Improve product safety	6	114	5.00%	8	112	6.67%
ACTIONS:	3	117	2.50%	6	114	5.00%
Products meet applicable standards (i.e. ISO 22000 product standards, Oeko Tex 100 in textile sector)	2	118	1.67%	2	118	1.67%
Actions taken to make products safe for consumers	0	120	0.00%	2	118	1.67%
Conducting research on company products	0	120	0.00%	0	120	0.00%
Sanitary procedures improved in the processing and manufacturing of products	0	120	0.00%	0	120	0.00%
Educating people about companies products' negative impacts	1	119	0.83%	3	117	2.50%
PERFORMANCE:	0	120	0.00%	0	120	0.00%
Product safety awards	0	120	0.00%	0	120	0.00%
<b>Product Quality (number)</b>	<b>70</b>	<b>50</b>	<b>58.33%</b>	<b>72</b>	<b>48</b>	<b>60.00%</b>
AIMS/INTENTIONS:	66	54	55.00%	70	50	58.33%
Improve/maintain product quality	66	54	55.00%	70	50	58.33%
ACTIONS:	18	102	15.00%	23	97	19.17%
Product quality audited by third party (i.e. ISO 9000)	17	103	14.17%	18	102	15.00%
Employ state of art machines and technology*	5	115	4.17%	7	113	5.83%
PERFORMANCE:	2	118	1.67%	1	119	0.83%
Firm's product quality awards/prizes	2	118	1.67%	1	119	0.83%
<b>Consumers' Relations** (Number)</b>	<b>41</b>	<b>79</b>	<b>34.17%</b>	<b>48</b>	<b>72</b>	<b>40.00%</b>
AIMS/INTENTIONS:	37	83	30.83%	41	79	34.17%
Customers' relationship building*	10	110	8.33%	14	106	11.67%
Customers' satisfaction*	31	89	25.83%	33	87	27.50%
ACTIONS:	10	110	8.33%	17	103	14.17%
Customers satisfaction survey	3	117	2.50%	2	118	1.67%
External survey	0	120	0.00%	0	120	0.00%
Customers complaints system	2	118	1.67%	9	111	7.50%
Education about company's products (e.g. properly labelled, advertised, and communicated)*	4	116	3.33%	6	114	5.00%
Free Customer Service (especially in automobile)*	0	120	0.00%	3	117	2.50%
Information security management system (ISO 27000)*	2	118	1.67%	1	119	0.83%
PERFORMANCE:	1	119	0.83%	1	119	0.83%

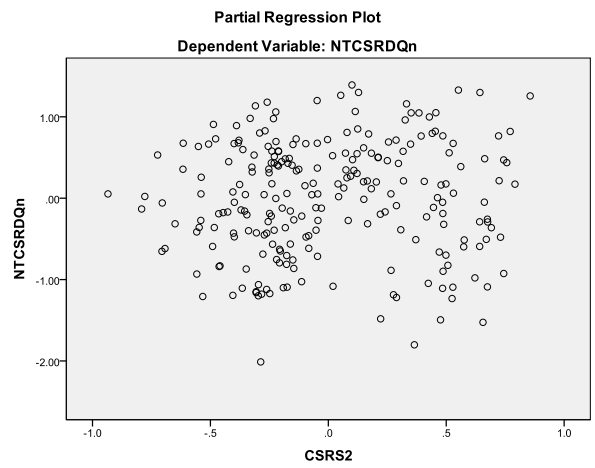
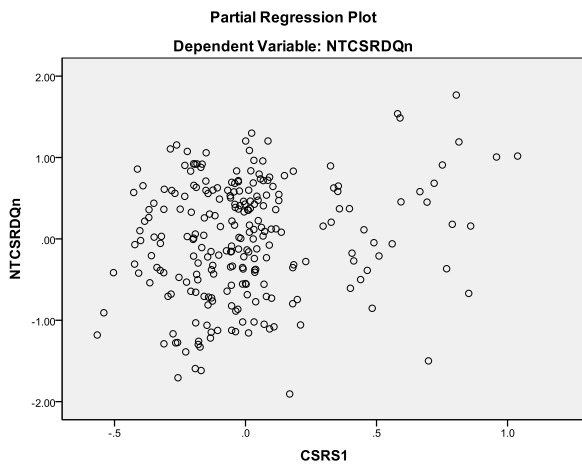
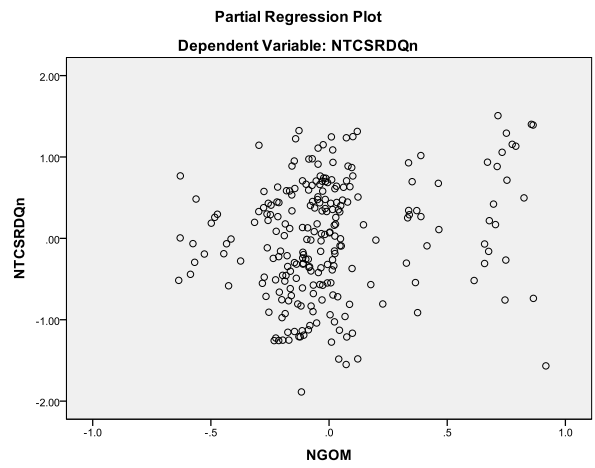
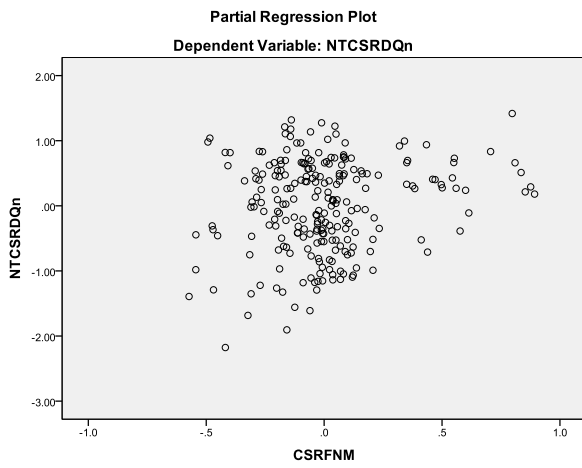
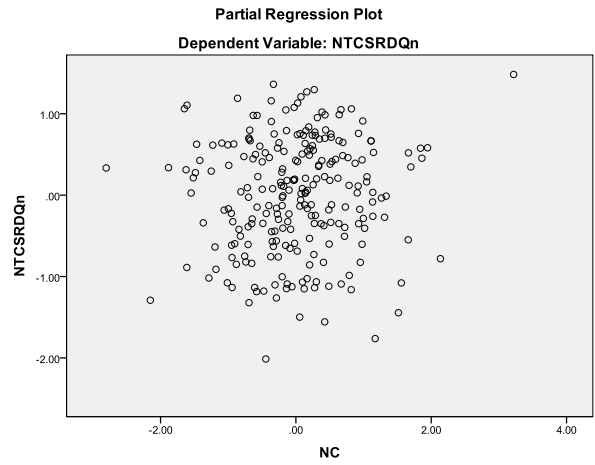
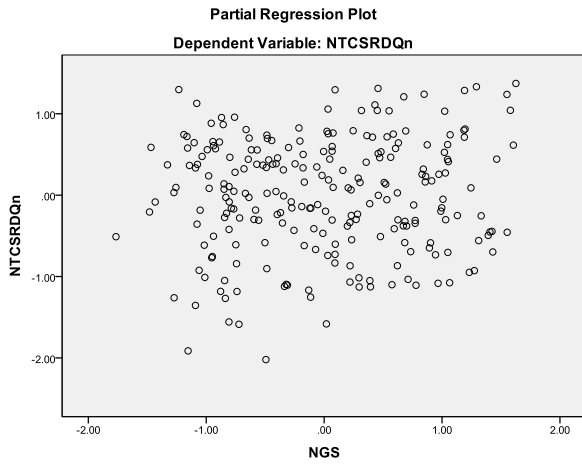
Number of customers complaints	0	120	0.00%	1	119	0.83%
Customers satisfaction results (Perception measure used Vuontisjarvi, 2006)	0	120	0.00%	0	120	0.00%
Number of consumers' educated*	1	119	0.83%	0	120	0.00%
<b>COMMUNITY INVOLVEMENT DISCLOSURE:</b>						
<b>Support for Education/training*** (Number)</b>	<b>34</b>	<b>86</b>	<b>28.33%</b>	<b>48</b>	<b>72</b>	<b>40.00%</b>
AIMS/INTENTIONS:	23	97	19.17%	33	87	27.50%
To promote public education	23	97	19.17%	33	87	27.50%
ACTIONS:	23	97	19.17%	43	77	35.83%
Aiding medical research	0	120	0.00%	0	120	0.00%
Sponsoring educational conferences and seminars	1	119	0.83%	2	118	1.67%
Funding scholarship (i.e. need based or merit based) programmes or activities	7	113	5.83%	9	111	7.50%
Running personality development/stress management workshops*	0	120	0.00%	0	120	0.00%
Establishing/renovating schools*	9	111	7.50%	14	106	11.67%
Company visit of students*	1	119	0.83%	4	116	3.33%
Supporting NGOs providing education*	1	119	0.83%	7	113	5.83%
Organize vocational courses/trainings (e.g. driving courses, mobile repairing, home appliances repairing, Technical diplomas)*	6	114	5.00%	12	108	10.00%
Offering free water, electricity, and gas facility to the schools*	0	120	0.00%	0	120	0.00%
Establishing/running educational projects with NGOs*	1	119	0.83%	5	115	4.17%
Supporting educational institutions*	10	110	8.33%	23	97	19.17%
PERFORMANCE:	10	110	8.33%	24	96	20.00%
Amount of money spent on education*	5	115	4.17%	12	108	10.00%
Amount of sponsorship*	0	120	0.00%	0	120	0.00%
Number of scholarship*	3	117	2.50%	2	118	1.67%
Number of students benefited*	5	115	4.17%	11	109	9.17%
Number of students trained*	2	118	1.67%	2	118	1.67%
Number of school built*	0	120	0.00%	3	117	2.50%
<b>Support for Art and Culture (number)</b>	<b>4</b>	<b>116</b>	<b>3.33%</b>	<b>4</b>	<b>116</b>	<b>3.33%</b>
AIMS/INTENTIONS:	3	117	2.50%	2	118	1.67%
To promote a country's arts and culture	3	117	2.50%	2	118	1.67%
ACTIONS:	2	118	1.67%	2	118	1.67%
Sponsoring art exhibitions	2	118	1.67%	0	120	0.00%
Sponsoring national pride campaigns	0	120	0.00%	0	120	0.00%
Support government sponsored campaigns	0	120	0.00%	0	120	0.00%
Sponsoring cultural events*	1	119	0.83%	0	120	0.00%
Supporting social evenings/events (i.e. musical nights for the community excluding a company's employees)*	1	119	0.83%	1	119	0.83%
Contesting arts events*	1	119	0.83%	1	119	0.83%
PERFORMANCE:	1	119	0.83%	1	119	0.83%
Amount of sponsorships	0	120	0.00%	1	119	0.83%
Number of persons benefited from the events*	1	119	0.83%	0	120	0.00%
<b>Support for Public Health*** (number)</b>	<b>30</b>	<b>90</b>	<b>25.00%</b>	<b>44</b>	<b>76</b>	<b>36.67%</b>
AIMS/INTENTIONS:	19	101	15.83%	31	89	25.83%
To make the public healthy	19	101	15.83%	31	89	25.83%
ACTIONS:	25	95	20.83%	40	80	33.33%
Sponsoring public health projects	4	116	3.33%	5	115	4.17%
Sponsoring medical trusts*	5	115	4.17%	6	114	5.00%
Conducting research on road accidents*	0	120	0.00%	1	119	0.83%
Running health awareness programmes (e.g. HIV/AIDS awareness programmes, blood screening camps, safety lectures)*	6	114	5.00%	15	105	12.50%
Sponsoring national safety conferences*	1	119	0.83%	0	120	0.00%
Establish health institutions (i.e. hospitals and health care units)*	14	106	11.67%	17	103	14.17%
Supporting NGOs providing healthcare facilities*	10	110	8.33%	18	102	15.00%
PERFORMANCE:	11	109	9.17%	16	104	13.33%
Amount of money spent on public health programmes*	7	113	5.83%	6	114	5.00%
Number of people benefited from health projects/ awareness	8	112	6.67%	13	107	10.83%

programmes \*

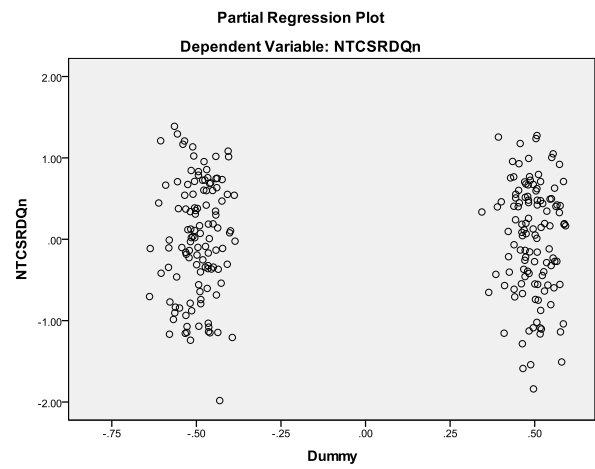
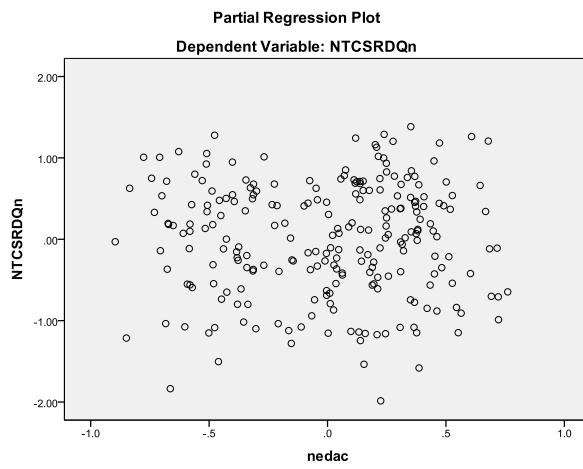
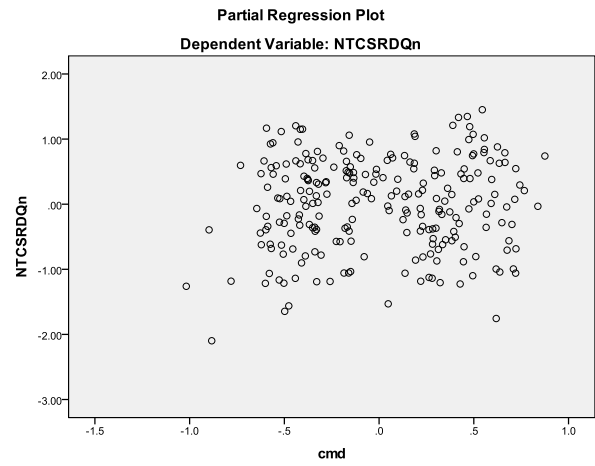
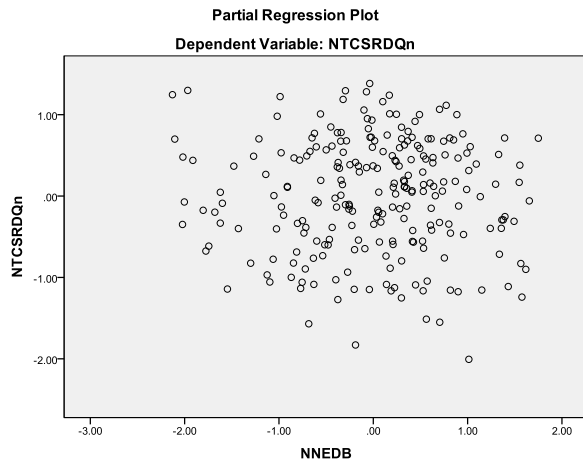
<b>Sponsoring Sporting or Recreational Projects*** (number)</b>	<b>4</b>	<b>116</b>	<b>3.33%</b>	<b>6</b>	<b>114</b>	<b>5.00%</b>
AIMS/INTENTIONS:	2	118	1.67%	4	116	3.33%
To promote sports in the country	2	118	1.67%	4	116	3.33%
ACTIONS:	3	117	2.50%	4	116	3.33%
Sponsoring sports events (i.e. tennis championship, squash championship, cricket tournament, and swimming competition)*	3	117	2.50%	4	116	3.33%
PERFORMANCE:	0	120	0.00%	0	120	0.00%
Amount of money spent on sports activities*	0	120	0.00%	0	120	0.00%
Number of teams participated*	0	120	0.00%	0	120	0.00%
<b>Other Community Activities*** (number)</b>	<b>44</b>	<b>76</b>	<b>36.67%</b>	<b>58</b>	<b>62</b>	<b>48.33%</b>
AIMS/INTENTIONS:	41	79	34.17%	48	72	40.00%
To develop/uplift community (facilities or infrastructure)	35	85	29.17%	43	77	35.83%
To support established community activities, events, or organizations	6	114	5.00%	5	115	4.17%
ACTIONS:	19	101	15.83%	35	85	29.17%
Support for the development of airports*	0	120	0.00%	0	120	0.00%
Installation of clean drinking water plants*	3	117	2.50%	5	115	4.17%
Providing clean drinking water*	2	118	1.67%	3	117	2.50%
Development of parks, roads, culverts, and bridges*	7	113	5.83%	4	116	3.33%
Developing and maintaining sewerage and drainage system*	1	119	0.83%	2	118	1.67%
Development of union council offices*	0	120	0.00%	0	120	0.00%
Providing support to the local police*	2	118	1.67%	1	119	0.83%
Donation of cash	7	113	5.83%	16	104	13.33%
Donation of company products	2	118	1.67%	3	117	2.50%
Donations of employees' time	2	118	1.67%	5	115	4.17%
Opening companies' facilities to the public	0	120	0.00%	0	120	0.00%
Offering free water, gas facility to the mosques of the vicinity*	0	120	0.00%	0	120	0.00%
Provide maintenance facility to the mosques*	1	119	0.83%	3	117	2.50%
Development of rehabilitation centres (for flood/earth affecties or prisoners)*	2	118	1.67%	10	110	8.33%
Providing relief goods to flood/earth affecties*	3	117	2.50%	21	99	17.50%
Running productivity enhancement programmes for formers*	2	118	1.67%	2	118	1.67%
PERFORMANCE:	10	110	8.33%	17	103	14.17%
Quantitative evidence of development of parts, roads, and bridges*	3	117	2.50%	1	119	0.83%
Amount of money spent on building community facilities*	2	118	1.67%	3	117	2.50%
Number of (or amount spent on) cleaning drinking plants installed*	0	120	0.00%	1	119	0.83%
Amount of donation*	4	116	3.33%	13	107	10.83%
Quantity of products donated*	2	118	1.67%	2	118	1.67%
Amount of employees time*	0	120	0.00%	1	119	0.83%
Number of people benefited*	0	120	0.00%	3	117	2.50%
Number of rehabilitation centres built*	0	120	0.00%	1	119	0.83%
PCP awards*	1	119	0.83%	0	120	0.00%
Amount spent on productivity enhancement programmes*	1	119	0.83%	1	119	0.83%
<b>E. GENERAL DISCLOSURE (number)</b>	<b>61</b>	<b>59</b>	<b>50.83%</b>	<b>64</b>	<b>56</b>	<b>53.33%</b>
AIMS/INTENTIONS:	59	61	49.17%	61	59	50.83%
General CSR information (for quantitative disclosure)*	7	113	5.83%	7	113	5.83%
Core Values*	30	90	25.00%	38	82	31.67%
Statement of Ethics and Business Practices*	39	81	32.50%	42	78	35.00%
Code of Ethics*	7	113	5.83%	6	114	5.00%
ACTIONS:	3	117	2.50%	5	115	4.17%
Training to vendors and partners (i.e. suppliers)	3	117	2.50%	5	115	4.17%
PERFORMANCE:	2	118	1.67%	7	113	5.83%
Number of person trained*	0	120	0.00%	0	120	0.00%
Amount spent on training of vendors and partners*	0	120	0.00%	0	120	0.00%
CSR awards*	2	118	1.67%	7	113	5.83%

## Appendix 14: Partial regression plots of independent variables with CSR disclosure extent

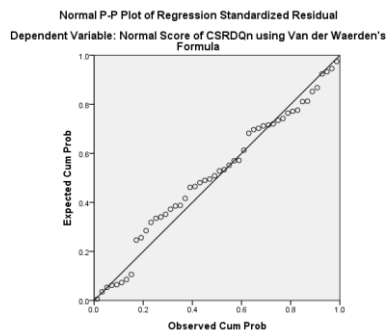




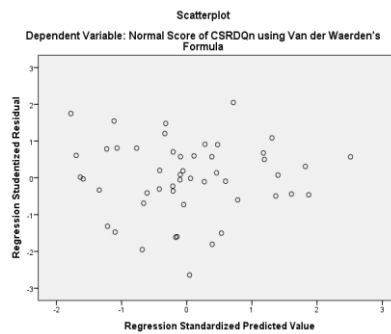




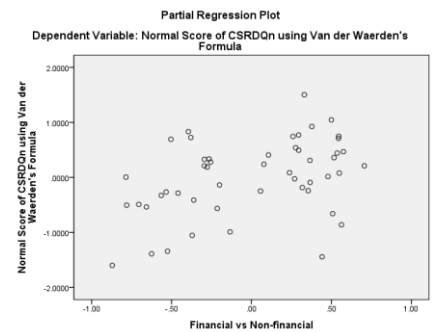
## Appendix 15: Graphs to check CSR disclosure (quantity) regression analysis assumptions (based on questionnaire data)



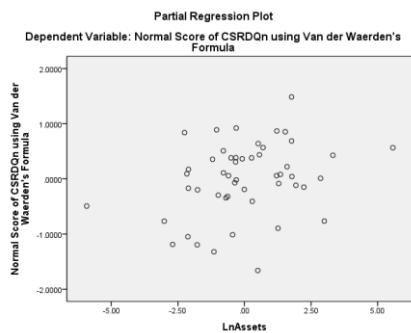
15a. Normal P-P lot of regression standardized residuals



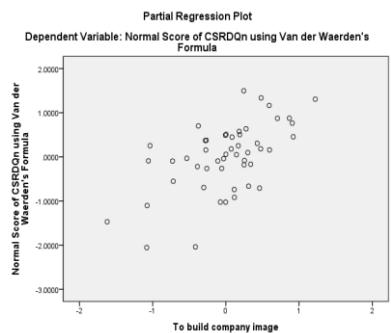
15b. Predicted values Vs studentized residuals



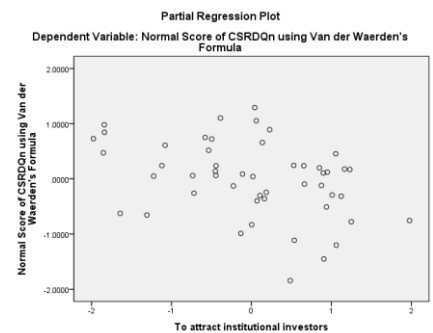
15c. Financial and Non Financial



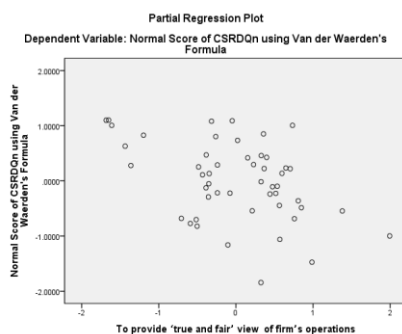
15d. LnAssets



15e. To build company image

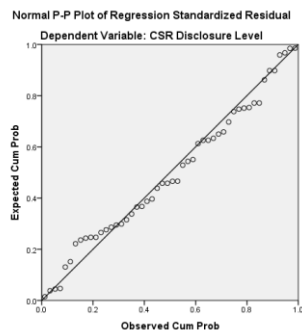


15f. To attract institutional investors

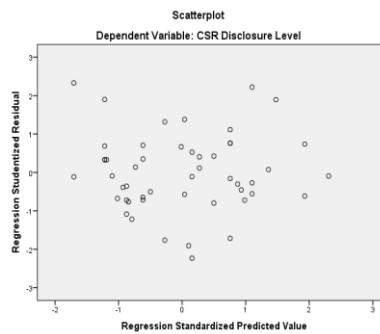


15g. To provide 'true and fair' view of firm's operations

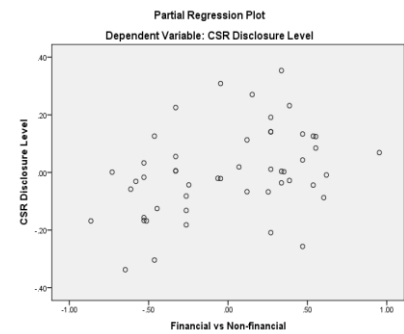
## Appendix 16: Graphs to check CSR disclosure (level) regression analysis assumptions (based on questionnaire data)



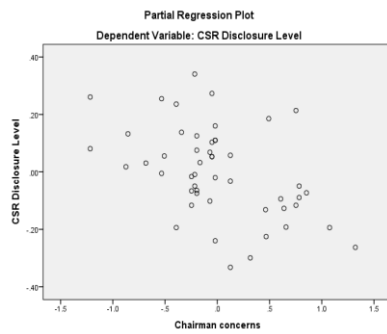
16a. Normal P-P lot of regression standardized residuals



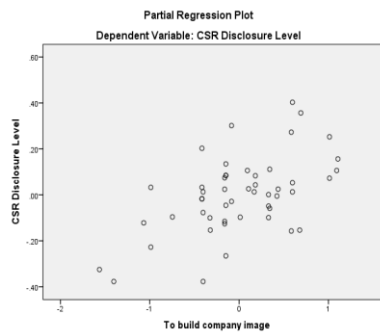
16b. Predicted values Vs studentized residuals



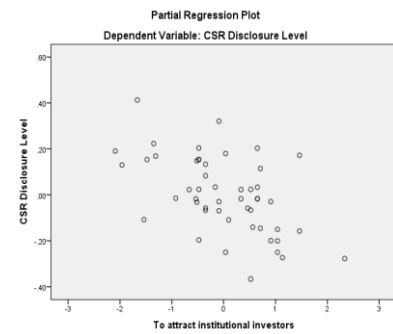
16c. Financial vs Non-financial



16d. Chairman's Concerns

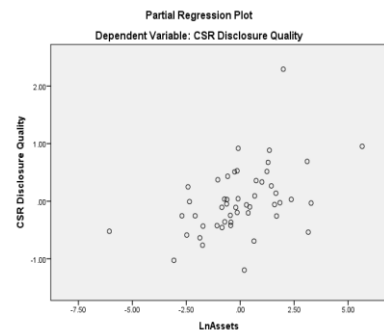
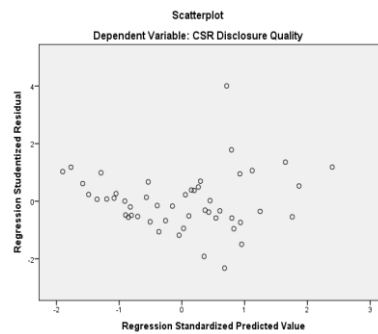
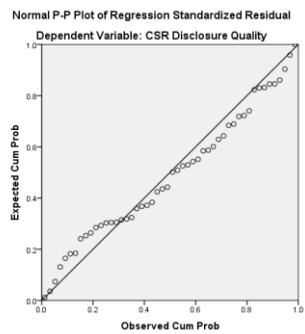


16e. To build company image



16f. To attract institutional investors

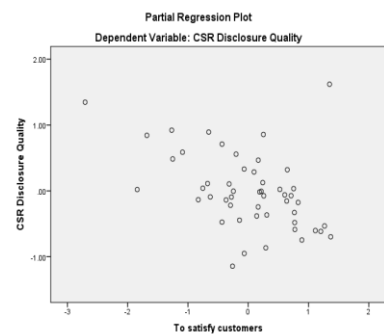
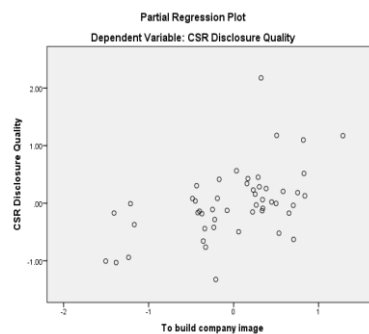
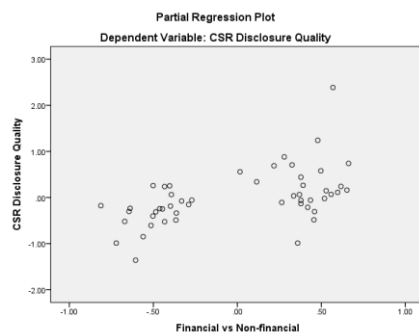
## Appendix 17: Graphs to check CSR disclosure (quality) regression analysis assumptions (based on questionnaire data)



17a. Normal P-P lot of regression standardized residuals

17b. Predicted values Vs studentized residuals

17c. LnAssets



17d. Financial and Nonfinancial firms

17e. To build company image

17f. To satisfy customers